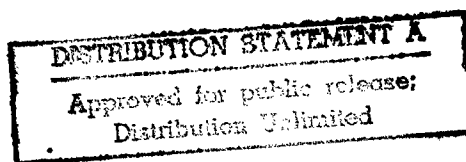


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BULGARIA

Opinion Poll on Political Groups, Leaders

90BA0068A Sofia POLITIKA in Bulgarian
19-26 Oct 90 p 4

[Article: "Results of the 'Political Survey' Conducted by POLITIKA"]

[Text] Dear readers,

Following are the results of the political survey conducted for the month of September. The only opinion they reflect is that of those among you who were kind enough to send us your answers. Although this survey is not representative of the readers of POLITIKA, it enables us to judge their political moods and the most general "deployment of forces" (referring to the political sympathies of the readers), and the critical attitude shown in perceiving the behavior of the main political parties and organizations and their leaders.

The data realistically reflect the political frame of mind in society, noted also in other sociological studies representative of the country. This survey, as well, confirmed the significant influence of the SDS [Union of Democratic Forces], the BSP [Bulgarian Socialist Party], the BZNS [Bulgarian National Agrarian Union], and the Confederation of Independent Trade Unions in Bulgaria [KNSB] in political life. Because most of the readers who answered us live in the country's big cities, Sofia and Varna mainly, we can see why the SDS obtained the highest "vote of confidence" in the struggle against anarchy and profiteering. This also explains the almost 10-point lag of the BSP behind the SDS. As the ruling party, which also independently formed a Cabinet, the BSP assumed the responsibility for the continuing decline in the living standards of the people. It is natural to expect that the attitude toward it as a political institution will be more critical. Furthermore, at the present time the supporters of the BSP rather tend not to advertise their political sympathies; conversely, those who sympathize with the opposition are more active in voicing their views. This can be particularly clearly seen in surveys such as ours, which is a survey of people who have responded.

Noteworthy is the insignificant number of votes cast for the Movement for Rights and Freedoms [DPS]. This result is confirmed by the strong lack of confidence of the respondents in Medi Doganov.

The significant lagging of the Podkrepa Independent Labor Federation [NFT] behind the SDS in confidence is indicative. The trust in the coalition does not automatically extend to its members. It looks as though in the future the public will assess ever more critically the individual parties, regardless of the coalitions to which they belong.

Speaking for themselves, the researchers express the following opinion: It is logical that more lack of confidence than confidence is expressed in the political opposition bloc that rallies the nonparliamentary opposition. It seems to us, however, that this is due less to its political ideas than to its absence from political life. We expect that in the near future, particularly after the start of privatization in the economy, the political opposition bloc will gain many more supporters.

As a whole, the confidence expressed in various political forces coincides with the differences in confidence in their leaders. Having gained the greatest amount of confidence, it is proper for the leaders of the SDS—Zh. Zhelev, P. Beron, and P. Dertliev—to obtain the strongest support in their struggle against anarchy and profiteering. Inasmuch as this investigation was started shortly after Zh. Zhelev was elected the country's president, we assume that his image as a political leader includes the support of people shown to both the former leader of the SDS and to the new "nonsocialist" president. What is more important is that the great confidence expressed in him is no accident. It is based on the moderate and sensible line taken by the new Bulgarian president in safeguarding human rights, preserving civil peace, and converting to democracy exclusively through parliamentary means. The great confidence enjoyed by Zh. Zhelev as an enemy of anarchy and profiteering was also helped by the firm views he held concerning the violators of public order at the time the BSP house was set on fire and the participants in the "cities of truth." With his suggestion of having a programmatic government, Zhelev earned the confidence of the people as a political leader who tries to play a unifying "above-party" role. Conversely, the political bitterness and openly manifested anticommunism displayed by K. Trenchev make him the least popular leader (after M. Doganov), at least as far as the elimination of anarchy and profiteering are concerned. P. Dertliev maintains the traditional vote of confidence that was given to him during the preelection surveys of public opinion. The same applies to A. Lukanov, who, with his firm line of nonviolence and possibly least painful conversion to a market economy and his personal charm as an intelligent politician on an above-national scale, has earned supporters also outside the BSP. The falling behind of Al. Lilov, particularly after the 39th BSP Congress, is symptomatic. To begin with, as confirmed by previous surveys, his reputation has never been high even among BSP members and supporters. It seems that times have changed to such an extent in our country that a politician, however radical a position he may assume today, cannot eliminate the views concerning him that piled up in the past in the mass consciousness. It is as though it is not simply a question of honesty and the amount of struggle against totalitarianism in its extreme manifestations. Possibly people such as Al. Lilov, D. Dzheurov, Ch. Kyuranov, and others are simply viewed as representing different times. If such a view concerning these people has indeed been established, it would be very difficult, not to say impossible, to update their political images.

Let us note the high degree of confidence enjoyed by R. Vodenicharov, which is comparable to that of K. Petkov, P. Beron, and A. Lukanov, and higher than that enjoyed by M. Drenchev and E. Konstantinova. Unquestionably, his firm independent position as an honest politician who, for the sake of his democratic principles, does not compromise for "internal party" reasons, has earned him the confidence of our readers also in terms of grave problems such as anarchy and profiteering.

Along with the figures that indicate confidence or, respectively, lack of confidence in political forces and their leaders, we have provided some correlation coefficients. They indicate the way in which opinion about a political force influences the opinion concerning the respective leader. Unfortunately, the correlation analysis indicates quite clearly and categorically the division among readers by political party. Their sympathies for parties and organizations greatly influence their views on the ability of the political leaders to maintain order in society and in the market. Generally speaking, BSP supporters give their trust to Al. Lilov and A. Lukanov, whereas those of the SDS, to P. Beron and P. Dertliev. The supporters of the BZNS firmly support V. Vulkov. Such data once again indicate that the division of the people according to leaders and not parties, expected before the elections, did not take place. Our public has become politicized or, more accurately, ideologized to such an extent that the leader is conceived as an inseparable part of the party and his qualities are assessed in the mass awareness in accordance with the image of the party or the movement. It is interesting that R. Vodenicharov, a member of the parliamentary group of the SDS, enjoys the confidence of BSP supporters comparable to that of Al. Lilov and A. Lukanov. Almost equally strong is the lack of confidence expressed in him by SDS supporters. This is a fact that confirms the conclusion of the strong ideological confrontation among people in our country, which prevents them from assessing soberly and critically the individual qualities of political personalities.

Which Party or Organization Will Help in the Struggle Against Profiteering and Anarchy (in percent)

| | Confidence | No Confidence |
|---|------------|---------------|
| BZNS | 48.9 | 51.1 |
| BSP | 48.9 | 51.1 |
| DPS | 6.7 | 93.3 |
| Committee for the Defense of National Interests | 33.3 | 66.7 |
| SDS | 57.8 | 42.2 |
| NFT | 33.3 | 66.7 |
| KNSB | 46.7 | 53.3 |
| Civic Initiative Movement | 15.6 | 84.4 |

| | | |
|---------------------------|------|------|
| Political opposition bloc | 28.9 | 71.1 |
| Other | 28.9 | 71.1 |

Who Will Defeat Anarchy and Profiteering (in percent)

| | Confidence | No Confidence |
|-------------------------|------------|---------------|
| Aleksandur Karakachanov | 46.7 | 53.3 |
| Aleksandur Lilov | 31.1 | 68.9 |
| Andrey Lukanov | 55.6 | 44.4 |
| Atanas Semerdzhiev | 51.1 | 48.9 |
| Medi Doganov | 4.4 | 95.6 |
| Viktor Vulkov | 62.2 | 37.8 |
| Georgi Pirinski | 37.8 | 62.2 |
| Georgi Spasov | 35.6 | 64.4 |
| Gin'o Ganev | 44.4 | 55.6 |
| Dobri Dzhurov | 40.0 | 60.0 |
| Elka Konstantinova | 42.2 | 57.8 |
| Zhelyu Zhelev | 64.4 | 35.6 |
| Konstantin Trenchev | 24.4 | 75.6 |
| Krust'o Petkov | 51.1 | 48.9 |
| Milan Drenchev | 40.0 | 60.0 |
| Petko Simeonov | 35.6 | 64.4 |
| Petur Beron | 57.8 | 42.2 |
| Petur Dertliev | 64.4 | 35.6 |
| Petur Slabakov | 48.9 | 51.1 |
| Rumen Vodenicharov | 48.9 | 51.1 |
| Chavdar Kyuranov | 35.6 | 64.4 |
| Other | 44.4 | 53.3 |

Who Enjoys the Confidence of Supporters of the Main Parties (in percent)

| | BSP | SDS | BZNS |
|--------------------|------|------|------|
| Aleksandur Lilov | 0.59 | 0.40 | — |
| Petur Beron | — | 0.36 | — |
| Andrey Lukanov | 0.79 | 0.49 | 0.34 |
| Viktor Vulkov | — | — | 0.49 |
| Rumen Vodenicharov | 0.55 | 0.33 | — |
| Petur Dertliev | 0.67 | 0.77 | — |

A dash notes the lack of a statistically relevant link between party support and confidence in leaders.

Lukanov Interviewed on Economic Situation, Reform

91BA0078A Sofia DUMA in Bulgarian 26 Oct 90
pp 1, 4

[Interview with Andrey Lukanov, chairman of the Council of Ministers, by Petur Bochukov; place and date not given: "Exceptional Circumstances Demand Exceptional Measures"]

[Text] [Bochukov] "The program is harsh because the circumstances in which we live are harsh." Could you be more specific about this statement because the public at large is not familiar with the nature of the ideas of the government concerning further democratization and the accelerated conversion to a market economy?

[Lukanov] We are facing a truly unique combination of adverse circumstances. New problems were added to those we inherited from the past, problems that are very familiar to our public. We have begun to dismantle the existing system without having laid even the foundations of its alternative, the market economy and market relations. The longer this transitional period lasts, the greater and more difficult to surmount will our economic difficulties be. The consequences of a declining production and reduced productivity and the steady weakening of discipline and incentives to work efficiently, on the one hand, and the increased monetary income of the population, on the other, are dramatic.

Furthermore, the worsening of international conditions and, especially, the literal collapse of traditional economic relations within CEMA and the losses related to the crisis in the Persian Gulf have exceptionally difficult and lasting consequences to an economy such as ours, which is dependent on external factors.

This entire set of factors and circumstances, both inherited and new, confronts our society with a kind of challenge it has not encountered in recent decades. It would be no exaggeration to say that the fate of Bulgaria as a civilized country is at stake. Given such exceptional circumstances, the solution may be found only in taking exceptional measures that demand a supreme national effort. It is precisely this that the government is calling for in its program.

[Bochukov] Efficiency at all cost or efficiency taking the social cost into consideration—which of these two expressions would you identify with the "Lukanov program," having said yourself that it is impossible to maintain even the current low living standard of the nation?

[Lukanov] Unquestionably, efficiency while taking the social cost into consideration, and a combination of reforms with efficient protective measures. Let me immediately emphasize, however, that the ability and possibility of a society to ensure the social protection of its members depend above all on the condition of its economy. That is precisely why we must give absolute

priority to the steps aimed at healing the economy and surmounting the numerous absurdities that are characteristic of our economy today.

[Bochukov] This program cannot be implemented by a divided society. It needs not only parliamentary but also broad public support. How will you achieve it?

[Lukanov] The government alone cannot provide such support. It will be doing everything possible in this direction by both maintaining a steady dialogue with the people and explaining the objectives and specific steps included in the program, as well as through its policy of efficient social protection. However, if other forces act in the opposite direction, seeking and using any opportunity, even the slightest, to maintain a climate of mistrust, divisiveness, and hostility, our efforts will fail. However, this will not be simply a problem of the government. I am deeply convinced—and I say this without any personal bias whatsoever—that delaying the suggested urgent steps aimed at improving the economy and converting to a market economy, however difficult they may be, or else preventing them, will have tragic consequences for our nation. It is a question indeed of a last chance. Those who continue to think according to the dictum "the worse it is the better," assume a grave responsibility to the people. In speaking today of the historical guilt of other political forces and personalities, they must not forget that the people have a long memory and do not forgive those who are playing with their destinies for the sake of partisan objectives and personal ambitions.

[Bochukov] When will the program have a tangible plan? When will its second and specific part be ready with deadlines, executors, and so forth?

[Lukanov] Essentially, the government already has such a plan. At present we are making the final corrections, and we are ready to take practical action the very next day after the program is approved by the Grand National Assembly. This plan covers the period until the end of the year. The measures included in the so-called second phase of the reform, which, in our view, should start on 1 January 1991, and the deadlines for their implementation will be reported to the Grand National Assembly in December.

[Bochukov] There were great delays in forming a cabinet and formulating a government program. No more time remains, and we are quite far from political stability, which we greatly need. Do you think about the hopelessness that, at present, besets many Bulgarians?

[Lukanov] It seems to me that there is no room for hopelessness, but there is room for concern. If we allow the current polarization in parliament and in society to paralyze our ability to act as a single nation, we shall indeed put ourselves in a hopeless situation. It is true that we lost a great deal of time, but, in my view, we are still not fatally late.

[Bochukov] There are many who believe that, at present, the government is doing nothing.

[Lukanov] Indeed, there is such an impression. We are in a state of semiparalysis, with a sharp decline in discipline and sense of duty. Centrifugal trends in society are intensifying. All of this cannot fail to influence the work of the government. Under such exceptional circumstances, the government can act only by relying on some kind of political and social consensus. The claim that if the government is to act it would suffice for it to enjoy the support of the majority in the Grand National Assembly is not sincere. Something that is natural in a mature and stable democracy does not apply to the present Bulgarian conditions. These conditions truly demand a different approach. They demand social consensus. I claim that no government, however well composed and however right its political line may be, could cope with the present Bulgarian problems without such consensus.

[Bochukov] You have been blamed for the fact that, by postponing the discussion of the program that was voted last Thursday in parliament, your purpose was to reduce the conflicting impressions with which the program was received. Was that the actual reason?

[Lukanov] In my view, there has been a great deal of unconscientious speculation about my suggestion to postpone the discussion. The purpose of this motion was to provide additional time for consultation among political forces with a view to reaching agreement on the required changes in the draft program of the government and to ensure prerequisites for its adoption by the Grand National Assembly as a whole. The question of the intentions of some people to turn the discussion of the program into a new political sideshow is a different matter. This may be consistent with their personal interests but not with the interests of our nation.

As for my reasons, to this day I find them entirely sensible. The government does not fear an open debate on its program. What it does fear is a biased approach and subjectivism because, on such a basis, making real reforms becomes difficult.

[Bochukov] When we speak of consistency, another question immediately arises: Is the "Lukanov program" not excessively mixed?

[Lukanov] In the program of the government, we have included everything that is rational, both in the platforms of the political forces as well as in the recommendations of international experts. This is a program that reflects the real conditions within our economy and the trends that have developed over the past few months and that, unfortunately, are adverse both from the domestic and the international viewpoints. The purpose of the program is to lead the country out of the economic crisis by decisively converting to a market economy with maximally possible social protection. It is only under relatively normal conditions and after the most acute stage of the crisis has been overcome that we shall be able

to argue about what socioeconomic alternative would be the best for Bulgaria. At the present time, in my view, the main thing is to unite on the basis of taking the political steps that have become necessary by the very logic of the market economy and, in that sense, that stand above party objectives and preferences.

[Bochukov] The success of the reform in our country is impossible without external guarantees. Do you believe that we shall obtain them? We have postponed our payments of the foreign debt, but we are not obtaining credits; our economic ties to the members of the former CEMA have been interrupted and, along with this, we have lost many of our traditional sources for raw materials and markets; our economy is in a state of continuing decline.... How can we earn confidence when the political path to reform is turning out to be longer than expected?

[Lukanov] The question of the confidence of the international public is crucial in terms of our reforms and our overall future development. We do not adequately realize that, in the period after the elections, we lost a great deal of the sympathy and trust we had earned abroad, thanks to the democratic processes initiated in our country after 10 November 1989 and the free multiparty elections. This hemorrhage is continuing. We are continuing to fritter away our already modest international reputation. There is only one way of putting an end to this process, which is exceptionally threatening to Bulgaria's future. It is the path of political stability, social order, radical economic reforms, and national consensus.

On the economic level, we must be aware of the fact that we shall create the initial prerequisites for international support only if we show our readiness and ability to normalize the economic situation, and put our finances, prices, monetary circulation, and production in order. Such support will be the greater the more systematically we follow the path of irreversible change in the economic and political system, change that leads to a stable democratic society with a social market-oriented economy.

[Bochukov] The high social cost of the economic reform is inevitable, and it can be anticipated even before the application of the governmental program. How do you intend to secure the social understanding and support of unpopular measures, which are so greatly needed?

[Lukanov] It must be made clear that the healing of the economy cannot take place without restrictions on consumption. The government is stating this openly and unequivocally. At the present time, consumption in our country is inconsistent with the condition and real possibilities of the economy and the gravity of the foreign economic difficulties we are facing. However painful I find this, I must state that the same applies to the nation as a whole. If we are truly concerned with our future, we must apply self-restraint and accept a temporary drop in our living standard. This demands decisive measures in the areas of prices, credits, budget subsidies,

and monetary circulation. Only thus can we lay a firm foundation for the restoration and, subsequently, the enhancement of our living standard.

Naturally, support of unpopular measures largely depends also on the extent to which the people consider a given economic policy as socially equitable. The Grand National Assembly will deal with the reasons for the situation in which we find ourselves and with the matter of responsibilities. This will improve the social climate but will not change the material situation of the people.

Exceptionally important from this viewpoint is the question of distributing the burden of the reforms. The government has a clear concept on this matter. In Bulgaria no one must be faced with a hopeless situation. The socially vulnerable strata will be given social support and maximal compensations under the conditions of a drastic acceleration of inflationary processes and increased unemployment. It is natural for those who are better off today to bear the main part of the burden related to the healing processes in the economy.

[Bochukov] Can you dissuade me and many other people who think like me of the idea that you need a national consensus because some people want to remain in power longer?

[Lukanov] A national consensus is an objective need for Bulgaria. There are no historical examples of reforms of such significance and "increased difficulty" to have been implemented without such consensus. In the absence of consensus, the only solution is the use of force. That is why whatever the color of the present government may be, it would have needed national support in order to implement such reforms.

As for me, I stated in the Grand National Assembly that I would not undertake the implementation of a reform program without parliamentary support. This is not reinsurance but a position dictated by the desire to see the reforms succeed and not become another reason for the division and polarization of our society.

[Bochukov] You stated in your programmatic declaration that your government should not act as a party-oriented government in the literal meaning of the concept. How will the government express the national consensus?

[Lukanov] The nature of the changes demands that the government act not as a party government but as a national government. Naturally, it would be best if it included representatives of other parliamentary political forces. In my view, it is still not too late to reconsider this matter. Until that time, however, the government must and indeed pledges to act on the basis of the program that reflects the national interests and priorities. If we deviate from this openly proclaimed intention, society and parliament have both the right and the possibility of holding us accountable.

[Bochukov] It is clear to everyone that the mountains of problems—mass deficit, profiteering, drop in production, lack of materials and foreign exchange, and many others—demand comprehensive and fast action. Would you name the most important areas to which the government will assign priority in its actions?

[Lukanov] I believe that currently there are two absolute priorities in our economy. The first is a drastic reduction in the amount of money in circulation. We have still not fully realized that the steady increase in income, the demand for additional budget funds, and the payment of wages unrelated to real resources and labor productivity may not give anyone greater prosperity. Conversely, this is the surest way to total collapse of the Bulgarian economy and the total emptying of stores and the converting of profiteering and corruption into a behavioral standard. Unless we decisively and drastically reduce monetary resources, we cannot hope for any improvements in our economic condition in the immediate or more distant future.

The second priority is related to foreign exchange and the exchange rate. In the case of an economy that has existed for several years, thanks to huge loans in foreign currency, the conversion to foreign currency self-financing is very painful. We feel this in our daily activities, in the lack of materials for industry, imported fodder for the livestock, medicines and medical materials, and basic goods that so far were either imported or parts of which were paid for in foreign currency. To come out of this situation, we must stimulate a drastic increase in foreign exchange revenue and the full use of all the foreign exchange resources of our country, its companies, and its citizens. For this to take place, the foreign exchange rate must be consistent with the real market value of the leva and the rate of interest, and the foreign exchange system should be such as to encourage the owners of foreign currency to keep it in Bulgarian banks instead of seeking means to use it outside the channels that are normal in any market-oriented economy.

If we take efficient steps in these two areas, we could relatively rapidly restore the economic balance. Let me immediately emphasize that such steps would be exceptionally painful. They are related to a sharp tightening of credits, elimination of budget subsidies, and price liberalization. This makes necessary the taking of adequate social protection measures that I mentioned.

[Bochukov] A number of firms with individual ownership have been registered in the past few months. Very few of them, however, are engaged in some kind of production. For some reason, the English word "business" is being currently translated in our country by many people not as "work" but as making money from trade, speculation, and, less frequently, services. This is probably an inevitable element of the conversion to a market economy. My question is this: How will the Bulgarian people regain their taste for work and production?

[Lukanov] I believe that the entire policy of the state, including the government, should be aimed at encouraging the type of business and companies that make money as a result of actual production and not of speculative activities. By production I mean the production of goods and services. Nor do I consider accurate the automatic confusing of brokerage activities with profiteering. In the final account, provided that we create conditions for its normal functioning, the market itself will separate useful activities from activities that survive on scarcity and economic difficulties. The main task of the government is, with the help of parliament, to provide the necessary legislative, legal, and institutional conditions to this effect. Through means of a tax policy and other economic measures it should encourage all activities currently needed by the economy.

Let me particularly touch upon a question that is being discussed of late with a great deal of concern. It is related to the apparent trend among state officials and officials in state companies to set up private companies either directly or through figureheads, making use of their positions within the state sector to get personal benefits. I especially mention this matter not only because such practices, unquestionably legitimized with Ukase No. 56, are being condemned by the people but also because they conflict with a market-oriented logic. In the developed countries, this is described as a conflict of interest and is prohibited by law. The government has already submitted to the Grand National Assembly a respective motion on amending Ukase No. 56 in order to put an end to such practices.

[Bochukov] A number of people who have ideas about how to engage in real business are simply waiting for the new laws in order to get started. I am referring to those who would like to farm the land, raise livestock, and manufacture goods. However, they still have no guarantees or security whatever. What would you tell such people at this time?

[Lukanov] I agree with you that, until we have passed the new laws, despite all the efforts we are making, the possibility of developing economic initiative and broad entrepreneurial efforts will remain limited. For that reason, the Grand National Assembly must accelerate the consideration and adoption of the set of laws without which no substantial progress can be made. This applies to the Law on the Land, the Commercial Code, the Law on Privatization, laws related to taxation, and so forth. Nonetheless, I would recommend to people with ideas and the wish to develop business not to postpone the implementation of their plans. The movement toward a market economy is irreversible. I personally will do everything I can so that in the next two to three months both parliament and the government clear a sufficient amount of terrain from the obstacles that today hinder the initiatives of an enterprising person.

[Bochukov] For a long time, a feeling of impunity in violating the public order was cultivated in our country.

The reasons for this are well known. How could the government help in limiting this phenomenon?

[Lukanov] I believe that the answer lies in the strict application of the laws by the executive authorities, the courts, and the prosecutors. In my view, our society has reached this degree of maturity. We must not allow arbitrariness and illegality to return and confuse the functions of the three separate powers. At the same time, we must apply all available means and, with the necessary firmness, ensure absolute respect for the laws.

[Bochukov] What do you consider to be the first psychological impact of the Law on Profiteering on the "dark forces?"

[Lukanov] I believe that there is a certain initial confusion, which was the first effect we wanted to achieve. We shall continue most firmly our actions relative to the application of the Law on Profiteering. Furthermore, we shall insist in the course of privatization in trade, services, petty production, and restaurant and hotel activities for the candidates bidding for the various projects to indicate the origins of their funds. It would be proper also not to allow individuals who have been penalized by the Law on Profiteering or other laws to participate in the bidding. In all civilized countries, the road to private business is closed to thieves and, in general, to people who violate the stipulations of the tax legislation. Such should be the case in our country as well. Let me expressly emphasize also that the elimination of profiteering as a phenomenon cannot be achieved by judicial and administrative steps. Only a radical economic reform could remove the real reasons that trigger this phenomenon.

[Bochukov] Not only the socially weak but everyone is worried about whether the government will be able to guarantee the population normal supplies of food. What is your answer to such concerns?

[Lukanov] I believe that, despite the familiar difficulties concerning material and technical supplies and of importing some basic components for animal husbandry, our economy could guarantee the population supplies of basic food products at the level similar to last year's. In my view, this was confirmed when rationing of some food items was introduced. The question, however, is: Until when shall we apply this method in ensuring the normal allocation of foodstuffs? We must bear in mind that the state is no longer able to provide financial support through budget subsidies of retail prices of many products. For example, how can we ensure bread supplies for the country if today bread is sold at a price that is below the price of feed grain by a factor of 2.5 to 3? This applies to many other food products as well.

I believe that we must surrender to the logic of economics and leave the distribution functions to the market and be concerned with providing adequate financial compensation to a level of the population that would be unable to meet basic expenditures to maintain an adequate minimal standard. This is a topic that remains

quite unpopular in our country because we want to both convert to a market economy and retain the advantages of the old and already bankrupt economic system.

[Bochukov] Do you believe that, under the present very difficult circumstances, the new prime minister must display greater firmness?

[Lukanov] Many people have advised me to be more firm. To a certain extent I agree with them. Nonetheless, I would like to say that neither by nature nor by conviction am I a supporter of the "firm hand." In a democratic society, firmness must be restricted within strictly demarcated limits, and such limits are provided by the law. I would rather say that a prime minister in our country today, regardless of who he may be, needs a great deal of courage and willpower to defend the adopted line and to be consistent in his actions.

Ambassador to Laos Leaves Post

91P20026A

[Editorial Report] Sofia DURZHAVEN VESTNIK in Bulgarian of 16 October 1990 on page 1 reports presidential Decree No. 99, according to which Lilyana Ivanova Vasileva was relieved of her responsibilities as ambassador to Laos as of 10 October 1990.

CZECHOSLOVAKIA

Election of Klaus To Head Civic Forum Hailed as Turning Point

91CH0055A Prague LIDOVE NOVINY in Czech
15 Oct 90 p 1

[Article by Jiri Hanak: "The End of Old Times"]

[Text] The news of Vaclav Klaus's election to the Head of the OF [Civic Forum] is not merely news of a personnel change in the leadership of this movement-nonmovement or party-nonparty. Above all, it is news of imminent changes in the political life of our society. I dare say that the significance of Saturday's change in the leadership of the OF can be compared with such events as the parliamentary elections or the election of the president.

Wherever there is victory, there is also defeat. There are several who have been defeated, and they are not names or forces to be ignored. The election of Vaclav Klaus is the defeat of the Czech Prime Minister, Petr Pithart; the election of Vaclav Klaus is the failure of the compensatory concept of the OF; and thirdly the election of Vaclav Klaus is the defeat of the "socializing" forces within the OF, particularly of their economic experts.

What happened happened during a politically hot Saturday night. Is it good? Is it bad? I would say that it is mainly good, and slightly bad.

Since Vaclav Klaus currently holds the offices of the Minister of Finance and the head of the OF, he has

concentrated enormous power in his hands, and his status on the political scene will be unassailable for a long time to come. We can certainly expect two consequences of this union: The economic reform will stop being a "reform," and it will finally become what it should be—a transition to a market economy. The second consequence: Civic Forum will lose its dispersed, vague, protoplasmlike form, and it will be able to become a modern party, a functional tool to implement goals, which it will now finally be able to define clearly. With a probability that borders on certainty, we can expect it to be a party of the center right.

Saturday's election of a new man as the head was an act of self-preservation by the Civic Forum, almost at the last moment. Nebulous and enigmatic nonpersonalities at its head, offered little promise for the future. The enormous political capital, accumulated by the victorious parliamentary elections, was squandered at an amazing rate. The last vestiges of authority and trust were being scraped off the bottom of the OF's political treasury. The penalty for the absurd flirtation with "unpolitical politics" or with "political nonpolitics" was enormous. More and more citizens were willing to answer the question, as to what they expect from the OF, with a humiliating "nothing." If this situation had not been changed by the Saturday election, it would have meant a steady deterioration from bad to worse.

Having exhausted the positive aspects of Vaclav Klaus' election to the head of the OF, we will now pause at the chapter entitles "slightly bad." The enormous concentration of power in the hands of one man, naturally brings with it the danger of potential abuse. One of the first commandments in politics states that all power corrupts, and the greater the power, the greater the danger. The rule applies irrespective of good intentions and wishful thinking. Without effective inhibiting and control mechanisms, the severance of power from the chain is the rule rather than the exception. I am not sure that our democracy, which has been somewhat artificial so far, can stand such a concentration of power without suffering a major trauma. Through the Saturday election, the OF made a good decision. However, it will fall to the "consuls" of parliament to inhibit if necessary, and to control constantly. I want to call out a warning: Consuls make sure that no harm will come to the Republic! It is better to exhort caution and alertness unnecessarily than to exhort it too late.

Somewhere I read these words: "History teaches that the more extreme the political changeover is, the more drastic the actions reinstating a certain kind of solidarity must be." We will soon find out how true or untrue these words are.

No Political Safeguard for Republic's Borders Found

91CH0053A Prague TVORBA in Czech 26 Sep 90 p 6

[Article by Richard Seemann, based on a program produced by the Czechoslovak Broadcast Station on 27 August 1990: "Eternal Borders?"]

[Text] Recently the question of our country's future organization has increasingly come into the spotlight in the political events in our state. Advocates for the trends toward the disintegration of the Federation, expressed in slogans about the absolute sovereignty of the national republics, the historical countries, and even the nationality of regions, are particularly vociferous. In the turmoil of nationalistic and separatist demands, it seems as if the voices of reason are being obliterated, voices that warn that if this were to become reality, it would plunge our country into political, economic, and legal chaos. Instead of finding a place among the developed countries, we could very easily find ourselves among the less developed countries in the so-called Third World.

In this foreign policy comment, it is not my task to inquire into the immense economic impacts there would be on each of us if we were to yield to the wave of nationalism, separatism, and regionalism. But I would like to point out very emphatically some facts, which in my opinion are being overlooked by those ambitious politicians and their followers who are fomenting these passions. It has to do with the status of our country in an international context. The borders of our country, and thus the independent existence of the Czech and Slovak nation, did not only come into being on the basis of so-called historical rights. Only a portion of our borders, i.e., Bohemia and Moravia, has truly historical foundations; however, as far as Slovakia, northern Moravia, and Silesia are concerned, they came into being primarily as the result of the wishes of the victors of the First World War, due to the adroit policies of Masaryk, Benes, and Stefanik, Czechoslovakia was created within the borders that we know. The borders are expedient from the economic point of view, but one must not overlook the fact that they are also very precarious, as recent history has shown. As long as the order established by the Versailles, St. Germain, and Trianon Agreements after the First World War existed, it seemed that our borders were inviolable. But when this system collapsed in 1938, Munich showed us what the true situation was. Not even the historical borders were of any use, let alone those that Czechoslovakia acquired in bloody conflicts in Slovakia and Tesin. When liquidating Czechoslovakia, Hitler made use of all its enemies. He allowed Hungarian Irredentists to occupy southern and eastern Slovakia, he gave part of northern Moravia to Poland, and he himself seized a considerable part of Bohemia, Moravia, and all of Silesia.

Then, in the second round he left only a crippled Slovakian state. Unfortunately, in the interest of their current goals, some politicians try to create the illusion that it was the culmination of the Slovaks' historical struggle for a national independent identity. Yet, considering their education, they must be well aware that its existence was purely a matter of expedience in the interest of the practical policy of Nazi Germany. From the racial point of view, the Slovaks, along with the Czechs, Poles, and Hungarians, were designated for extermination as soon as the expected victory had been

attained in the war. For the Slovak nation of three million people, from Berlin's point of view, it was merely a matter of a transit route to the extermination camps, and of the capacity of gas chambers and crematoria. The Nazi machinery had already run a general test of this during the war when it murdered tens of thousands of Slovak Jews and Roma in this manner.

Naturally, Czechs living in Moravia, who were hypocritically proclaimed by some protectorate representatives to be reasonable, were no better off. During the war, from the point of view of the German plans, it was a matter of trying to weaken the nation as much as possible by emphasizing its specific features and regional characteristics, and by elevating one nation over another. However, their ultimate goal was to dominate them and subsequently physically to exterminate them. Luckily, the Second World War ended with the defeat of Nazi Germany and Czechoslovakia was once again on the side of the victors. Due to the tireless policies of our government in exile, headed by Dr. Edvard Benes, it was possible to secure the so-called pre-Munich borders and have them guaranteed by the victorious super powers. It was not a simple matter. For instance, for a long time England was, admittedly, willing to recognize the restoration of Czechoslovakia's independence, but more or less within the Munich borders. Moscow admittedly talked about recognizing the pre-Munich borders, but for a long time did nothing against the Slovak communists' attempts to join the Soviet Union. In the end, Slovakia was spared this disaster, but Ruthenia was incorporated into the Ukraine. However, Poland was not willing to recognize its pre-Munich borders with Czechoslovakia, and thus a complex situation, including intervention by armed forces, arose around this question. Finally, the borders were recognized, but at what price? Czechoslovakia was the only country among the victors to come out of the Second World War with its territory reduced.

The historical territories, where Czech families had lived for centuries, like Kladsko which Maria Theresa had lost to Germany, had to be handed over to Poland within the framework of the settlement. In addition, the so-called Hungarian question remained open and a problem when the German minority was expelled from the territory of the Republic. The stability of the borders of the Czechoslovak Republic, which was practically surrounded by countries that did not recognize them in fact, was ultimately entrusted to the Soviet Union. Gottwald used this situation extremely adroitly, and even Dr. Benes finally came to terms with the fact that alliance with Moscow would ensure the permanence of the Czechoslovak borders. For the last forty years, our borders have really been preserved, but at what price? In 1968 the guarantor became an occupation force, which demonstrated how little value it placed on the inviolability of our borders. Nevertheless, the fact remains that many of us have succumbed to the illusion that our borders have been established once and for all. But this is a very dangerous illusion.

It is not by chance that, following the overthrow of totalitarian power, the question of nationality is coming to the forefront again—in the former communist countries. It is no secret that at this time in Hungary there is more and more talk about the fact that there are tens of thousands of fellow-countrymen in the Upper Region—i.e., in Slovakia—within borders unjustly established after the First World War. The basic problem is that in the past, in contrast to the countries belonging to the Bohemian Crown, Slovakia was an integral part of Hungary. The same problem exists with the nonexistent historical border between northern Moravia and Poland. In addition, just to make the situation even more complicated, the Ukrainian national movement is demanding that those parts of eastern Slovakia where there is a Ukrainian national minority be incorporated into the Ukraine. So far, the Czech historical borders with Austria and Germany are unassailable. But even here, I think, it would be good to remember a statement made by former Secretary General of NATO, Joseph Luns. I quote: "Even if Germany itself will not be aggressive, the thought of neighboring on a country where a strategically very important region is inhabited by 82 million people, is not exactly a reason to rejoice."

That is the actual situation today. At this time, our state does not have a big brother either to the East, or to the West. It must depend solely on itself, and not on others as it used to. After all, during the last 70 years, we have already paid dearly for it twice. Our present foreign policy, which is anxiously monitoring this new configuration in Europe, must be understood from this aspect. That is why we are attempting to attain a new security system in Europe. That is why in the Cernin Palace such proposed initiatives as immediate withdrawal from the Warsaw Pact and proclamation of neutrality are being rejected. One should mention that these would merely be gestures that would not strengthen the international status of our country at this time. To the contrary, at a time when no new security system has as yet been created, and neutrality would not be internationally guaranteed, Czechoslovakia would be in a very disadvantageous position. That is why the actions of the politicians who would like to see Czechoslovakia disintegrate into sovereign and independent republics, countries, and regions in this situation, seem very shortsighted. Admittedly, if these trends were to assert themselves, there certainly may be more jobs for presidents, prime ministers, and other functionaries in our territory. But my question is: for how long? The European Community does not care to include in its ranks little states and geographically vague regions that are constantly arguing among themselves. It is willing to accept prosperous and stable countries. At best, it is willing to tolerate the others within the framework of so-called Balkanization, which is a phenomenon strongly manifesting itself in relation to nationalism in southeastern Europe at this time. Naturally, there will be a living for additional politicians even there, but consider the material situation those nations are in! I think that all

of us should realize this situation. The sooner the better—for us, for Czechoslovakia, and for the developed countries of Europe.

Slovak Academician on Belonging to Ethnic Republics

*91CH0059A Prague LIDOVE NOVINY in Slovak
19 Oct 90 p 8*

[Article by Miroslav Kusy: "Whose Republic Is It"?]

[Text] Ours, of course!

At first glance the answer is self-evident: The Czech Republic belongs to the Czechs, the Slovak Republic belongs to the Slovaks, and the Federation is, so to speak, the joint property of both these nations.

At first timidly, then ever more forcefully and more as a matter of course we began talking about national republics, with emphasis on the adjective "national." The Slovaks started it, and our Czech brothers, after some hesitation, could think of nothing better than to accede to this game. "Have it your way," they said: "If you Slovaks are beginning to discover your own Slovak statehood, we Czechs will begin to discover our Czech statehood!"

Then began efforts to outdo each other in the national identification of both republics. And so the Slovak Republic was imperceptibly transformed into the "Republic of the Slovaks" and the Czech Republic into the "Republic of the Czechs."

Into what can the logic of such identification processes transform the Federation itself?

We are told that nothing can be done about it. We are told that it is an inexorable fate, an inevitable process of the growing national consciousness of Slovaks and Czechs, a natural reaction to the supranational and denationalizing Communist totalitarianism. We are told that it must be simply acknowledged.

I reject such logic as false and misleading. I reject the logic of identifying the nation with the state, the logic of identifying a nation with the population of the republic, the logic of identifying a Slovak or a Czech with a citizen of the Slovak or the Czech Republic. I reject the logic of confusing these two entirely different, incompatible categories, because each of them belongs to an entirely different system of categories. It is a trick question for a first-grader: How much is one pear plus one apple?

What does the sum of one Slovak and one Czech give us? One Slovak nation and one Czech nation? Together they give us nothing. Two representatives of different nations, two different nations. If we go by these kinds of categories, we no longer have a higher hierarchic unit. Just some kind of an association of nations. An association of pears and apples. An association of units with specific, unique flavor and fragrance, units with their own character. Without it a nation is no longer a nation.

Let us look at the other category. What do a Slovak and a Czech citizen of a Federal Republic, or of either republic, have in common? The fact that they are its, or their, citizens. To be a citizen is not a divisive but on the contrary, a unifying category. A citizen of the Slovak Republic certainly is, just as a citizen of the Czech Republic, a citizen of one or the other republic and also wholly a citizen of the federation, the Czech and Slovak Federal Republic.

Citizenship unites us, nationality divides us.

The question is: What shall we choose? If we follow the first category, we shall end up with the nations themselves and national republics that correspond to them. There is no more that can be done with that, we can only acknowledge it. If we follow the second category, we begin with common citizenship. We can do a lot with that; on that—and only on that—can we establish our common statehood.

If we follow the second category, then the Slovak Republic is no longer just a "republic of the Slovaks." It is the republic of Slovak citizens, that is, the republic of all the citizens of Slovakia. The Czech Republic is no longer just the "republic of the Czechs," but a republic of all the citizens of "Česko" [Czecho] (I hope my Czech brothers will forgive me for this abbreviation of the "Czech Crown Lands").

A "national" republic is a misleading concept. It cannot be, after all, a republic of some nation even if it is a majority nation. Even in the case that the republic is populated by the given nationals and nobody else, we cannot consider these two concepts to be identical: We can only say that they overlap, that they have an equal scope. But not an equal content!

A democratic republic in the current European concept is a society of citizens, a state composed of citizens. Every one of its citizens also belongs to some nationality: his citizenship, however, is not identical with his national identity. These are two different categories. We can therefore speak about a "national" republic only in a regional sense of the word. A Slovak Republic is not a "republic of the Slovaks," but a "republic of Slovakia," a certain territorial unit. Similarly as a "national economy of the republic" is not an economy of a nation but an economy of a national region.

The same must inevitably apply also to the confusing concept of the so-called national statehood. "Slovak statehood" cannot be the statehood of the Slovaks, but, only the statehood of Slovakia as a territorial unit, or the statehood of the population, the citizens of Slovakia. Why then, in what sense have some Czech representatives come with the idea of a renewal, a renaissance of Czech statehood? If it is to be a counterweight to the nationalistically conceived "Slovak statehood," that is bad: Two nationalisms standing opposite each other are no better than one nationalism. On the contrary, it only exacerbates the situation. A national interpretation of

statehood must be opposed by a citizenship interpretation and not by another national interpretation.

And what to do about the concept of the so-called state-forming nation? That is the basic question of the very concept of the planned new constitution (or constitutions). Shall we again base it (them) on the principle of these "state-forming nations"? If we do that, then I suspect we shall be the last ones in Europe who will conceive their new constitution in this way at the close of the 20th century. Several days ago Serbia adopted a new constitution: It abandoned the principle of a "national republic" and endorsed the principle of a citizens' republic. The Serbians, therefore, gave up the principle of a "state-forming nation" and adopted the principle of state-forming citizenry, i.e., also the territorial principle. Can we act in a manner that is below the European standard in this matter and hope to enter Europe like that?

The logical outcome of the principle of a "state-forming nation" are two categories of citizens of the state. The first one is the category of full citizens, those who belong to the "state-forming nation." The rest are second-class citizens, they are inferior citizens because they do not belong to the "state-forming nation," but only to some national or ethnic minority. According to the Orwellian principle: We are all equal but some are more equal than others.

The new constitutions of the Slovak Republic, the Czech Republic, as well as of the Federation cannot therefore be based, according to my deepest belief, on the national principle, but exclusively on the citizenship and territorial principle. They are the republics of all the population, their territory of all of their citizens without distinction (from the point of view of their nationality or ethnicity).

The victorious civic movements, particularly in Slovakia, are being reproached by the nationalists for not appearing sufficiently nationalist, for not accepting their own national program to a sufficient degree. PAV [Public Against Violence] has its own national program, but that is subordinated to the civic program, it is a component derived from it. It gives priority to civic interests, it gives priority to constructing a civil society, that is, a modern, democratic, legal state. There is basically nothing that it needs to change in this program, it can only develop it and concretize it. A civic movement therefore cannot transform itself into a nationalistic movement: It would mean a qualitative change of its very substance.

The nationalists are accusing me now that I do not want to see the obvious: That I do not respect the power of the nationalistic movement which they unleashed, the process of a national self-identification of the Slovaks, and the inevitability of satisfying their just national needs and demands.

I see all that, and I respect it. But I am deeply convinced that it is impossible, unwarranted, to combine the two

processes which are underway here: the process of building a state, a civil society, and the process of national self-awareness. The latter can develop only within the framework of the former, but it must not replace it, must not take over. A nation is not a state, that which is of the state cannot be national. "National democracy" conceived as a democracy only for one nation is a contradiction in terms [contradictio in adjecto]. A nation must be uplifted, its collective rights must be protected and enforced: In a democratic society, however, it cannot be placed above everything else.

Otherwise we shall weep at the results.

Citizens Explain Their Idea of Moravian Nationality

*91CH0060A Prague LIDOVE NOVINY in Czech
19 Oct 90 p 12*

[Unattributed article: "We Are Moravians and Czechs at the Same Time"]

[Text] In the debates and polemics regarding Moravian nationalism and the position of Moravia with respect to the Constitution, the concept of a "Moravian nation" has recently been frequently sounded even by representatives of the political parties and movements. We cannot avow such a term.

At the beginning of our modern history, the linguistic concept of nationhood became deep-rooted. Josef Jungman defined a Czech as a person who speaks the Czech language. Frantisek Palacky used the optimum definition of the history of a single Czech nation living in two countries, in Bohemia as well as in Moravia. In other words, we are Czechs as well as Moravians at the same time; we lay claim to our country—Moravia—but we form part of the Czech nation. This is the way in which Frantisek Susil, the Mrstik brothers, T.G. Masaryk, Leos Janacek, as well as our contemporary Jan Skacel and other great Moravians have understood their national and territorial affiliations. And this is the manner in which we also wish to lay claim to our Moravianism and, simultaneously, affirm our membership in the Czech nation.

The awareness of a suprapersonal identification is always graduated, and the higher degree does not negate any lower degree: We are residents of our suburb, our city, or our community, as well as of our country or state, and, currently, there is even a growing awareness of membership in Europe. A native of Olomouc is simultaneously a native of the Hana region and, at the same time, a Moravian. And a Czech-speaking Moravian or Silesian is a Czech, to differentiate him or her from the formerly very numerous Moravians and Silesians speaking the German language, who did not consider themselves to be Czechs.

The quantity of small Slavic nations which sometimes only differ more or less linguistically is significant, particularly for the region of the Balkans; we do not

rejoice in the trend toward a similar development in Central Europe. Territorial affinity does not create nationality, not even in Austria as Moravian national separatists there like to claim. Despite the great historical traditions of their countries, Tyrolians or Corinthians consider themselves to be Austrians. In spite of the considerable individuality demonstrated by Bavaria or Saxony, these territories do not have any parties whose goal would be the creation of a Bavarian or Saxon nationality.

And so as Moravians, we consider ourselves to be Czechs with the same degree of self-evidence.

Among the tens of signatories are Ivan Kriz, Milan Jelinek, Jaroslav Marek, Jaroslav Meznik, Antonin Pridal, Jirina Salaquardova, Lubomir Selinger, Dusan Slosar, Milos Stedron, Josef Valka.

HUNGARY

Court Rejects Plea To Summon Former AVH Officers

*91CH0091A Budapest NEPSZABADSAG in Hungarian
12 Oct 90 p 7*

[Interview with Laszlo Solyom Jr. by Andras Sereg: "Tracking Vanished Documents; Some People Are Guilty If There Are Victims"—first paragraph is NEPSZABADSAG introduction]

[Text] Seven highranking military officers were sentenced to death in 1950 in the course of a secret conceptual trial. No records remained from these trials; the documents were destroyed probably in 1962. We asked Laszlo Solyom Jr., a family member of one of the victims about the events of 8 and 9 August 1950, and about the persons who testified at the new trial held in 1954, and the subject of their testimonies.

[Sereg] On 1 October 1990 the chairman's council of the Supreme Court rehabilitated six generals sentenced to death on 9 August 1950. It did so on the basis of a challenge as to the legality of those proceedings, filed by the Supreme Prosecutor. The six generals are: Laszlo Solyom, Istvan Beleznyay, Gyorgy Porffy, Kalman Revesz, Gusztav Illy, and Dr. Gusztav Merenyi.

[Solyom] I would like to note that on 19 August 1950 not six, but seven military officers were executed. The seventh was Staff Colonel Sandor Lorincz whose case was dismissed in the course of the new trial held in 1954. But only now have the six companions of Colonel Lorincz been rehabilitated.

[Sereg] At the present hearing they read into the record a letter you wrote. In this letter you requested of the court that in the framework of challenging the legality of the action, the court should question those persons still alive, who took part in the 1950 investigation and court proceedings. Who did you have in mind?

[Solyom] In my letter I mentioned four persons: Gabor Peter, the former head of the State Security Authority [AVH], former Military Judge Colonel Dr. Ivan Javor, Gyula Uszta who served as a lay judge in the 1950 trial, and Andras Berkesi, the former investigative officer of the AVH who played an active role in the investigation.

[Sereg] Regarding your request, you were told at the hearing that based on a challenge to the legality of action no witnesses can be summoned, because in this case the jurisdiction of the court extends only to the review of the affirmed judgment. What did you want to achieve? Did you want perhaps the court to weigh the responsibility of the persons involved?

[Solyom] I would not call this matter "responsibility." I am willing to believe that even Gabor Peter acted under constraint. At issue is the fact that at last, these people should acknowledge the role they played in this case, and analyze in what way they became part of this situation. Why they were the ones to be assigned this role, and how they related to the case. I would be curious to know how they feel about the case today. Unfortunately I was unable to discuss these important issues with any one of them.

[Sereg] Why did you want to talk to them?

[Solyom] I have been preparing a documentary film for years now, I would like to present them in the film.

[Sereg] Have you ever met any person who took part in the 1950 trial and who was also willing to make a statement to you?

[Solyom] One of the defendants in the case, Mrs. Gabor Koszorus told me last year about the trial.

[Sereg] What did she find in the courtroom?

[Solyom] She is an old lady, and she does not really recall the trial. She remembers only two events. First, when the trial was recessed a "reception" was held honoring the defendants. At that reception, AVH officers were so polite in serving sandwiches, coffee, and drinks that they could have put waiters to shame.... Her second recollection: The defendants admitted without exception to each charge, i.e., they pleaded guilty to all charges. And one more thing: They requested that the court consider their full repentance when pronouncing a sentence, and that the court provide the defendants with an opportunity to prove that they were qualified to serve the people's democracy.... The vile character of those who planned this conceptual trial can be seen in the fact that three days after Laszlo Solyom's arrest, on 23 May 1950, the initial confessions made by the defendants were reported already at the activists' meeting of the Hungarian Workers Party [MDP] military organization.

[Sereg] Who spoke at the party meeting?

[Solyom] Several persons who subsequently became ministers, according to minutes as yet not published. Istvan Bata was first. He was followed by Karoly Janza,

Pal Maleter, Pal Ilkus, and Mihaly Farkas, of course. Bela Kiraly was in the presidium. He was then a newly appointed major general. He too condemned the arrested persons. In other words, all known leaders of the army were present at the party meeting.

[Sereg] Let us now turn to the 8 August 1950 trial. Who were the members of the court?

[Solyom] Dr. Ivan Javor presided over the trial. General Gyula Uszta was one of his lay judges. He represented the new workers' cadres in the people's army.

[Sereg] Did you meet Dr. Ivan Javor?

[Solyom] Javor is not willing to recall anything. He claims that he is bound by his military oath.

[Sereg] Who was the other lay judge?

[Solyom] Imre Radvanyi. He took part in organizing the military insurrection lead by Lieutenant General Janos Kiss. And as an alumnus of the "Ludovika" military academy he was on friendly terms with the defendants. He died a few years ago.

[Sereg] For how long did Javor serve as a judge?

[Solyom] Until 1951. Javor was arrested just like Berkesi, Gyorgy Kardos, and the rest. Thereafter at Vac, they were in the same jail as the people they met as defendants before, while in the capacity of judge and investigative officer respectively.

[Sereg] What do you know about the new trial held in 1954?

[Solyom] The prosecution was represented by Supreme Prosecutor Dr. Kalman Czako.

[Sereg] Who were the witnesses?

[Solyom] State Security Lieutenant General Gabor Peter testified, and so did State Security Colonel Bela Janik-ovszky, former AVH investigative officer Andras Berkesi, former Major General Imre Somogyi, Lazar Brankov—one of the defendants in the Rajk trial, and several persons convicted in the 1950 trial.

[Sereg] Relatives were informed for the first time in 1956 of the 1950 trial, of the executions, and of the new trial in 1954.

[Solyom] That's how it is.

[Sereg] At the 1 October 1990 hearing the executed military officers were fully rehabilitated from a legal standpoint....

[Solyom] I want to stress once again that I wrote the letter to the Supreme Court because I felt that some guilty people exist as long as there are victims. The victims did not receive moral satisfaction. And not only did they fail to receive moral satisfaction, they want to take away some more from them at this time. I learned

not too long ago that in Buda they want to change the name of the street named after my father. This is taking place in 1990....

Excerpts From the Minutes of the 17 September 1954 New Trial

Gabor Peter: "It is not true that in the Solyom case I issued instructions to physically abuse those in custody. The fact is that physical abuse did take place at the AVH, but not in this specific case. As I testified, in some cases I myself physically abused persons in custody, but I was never cruel. And when I pursued this kind of activity it never extended beyond a few slaps in the face. I may characterize the extent of such physical harm by mentioning that I am a physically sick and weak person...."

Andras Berkesi: "It was my job to force Illy to admit guilt. (...) I never applied physical force against Illy, or against anyone else in the course of questioning. Only on one occasion did I slap Colonel Sandor Aranyi twice in the face. He was also taken into custody relative to this case. In this connection I should state that Aranyi conducted himself in a rather highhanded manner vis-a-vis investigators who were less trained than he was, he tried to unnerve the investigators. Therefore, on the occasion of an interrogation at which I was also present for a few minutes, I struck the person named because of his impertinent conduct. (...) I applied the following methods in regard to Illy in order to obtain an admission of guilt: I consistently emphasized his anti-Soviet, Fascist outlook, and his friendly relations with Palfy, Rajk, and the rest of the conspirators. I made him aware of the fact that only an admission of guilt could help his case, and that he had no other way out. (...) I also told Illy that his family would suffer no harm if he admitted everything, moreover that his family would be provided for. In response to the question just posed to me I acknowledge that these methods constituted mental and physical duress. (...) I do not know what kind of statement Illy made thereafter, and what his fate was...."

Excerpts From Kalman Czako's Letter to Imre Nagy

"Memorandum to Comrade Imre Nagy, chairman of the Council of Ministers. The Supreme Court scheduled a new trial beginning on 26 August 1954 and ending on 2 September in regard to five groups, consisting of 31 persons. (...) The new trial will be conducted by the judicial council concerned with military crimes, and will annul the sentences pronounced in this case based on evidence produced in the course of review. But the court will establish the guilt of Laszlo Solyom and his associates based on new evidence, for criminal acts committed in violation of various laws sanctioning various ordinary and military crimes. Considering the fact that they have died in the meantime, the court will not pronounce sentences...."

POLAND

POLITYKA Weekly News Roundup

91EP0018A Warsaw *POLITYKA* in Polish No 39,
29 Sep 90 p 2

[Excerpts]

National News

The Sejm has decided to shorten the term of both chambers of parliament and of the president. There were 252 votes for, 17 against, and 50 abstentions.

President Wojciech Jaruzelski has sent a letter to the Sejm marshal. In it, he declared that he supports the changes in the constitution and accepts with full understanding the announcement of a shift from the a presidency with a mandate from the National Assembly to a presidency through general election and in conjunction with this asked the Sejm "to shorten the current presidential term" and to establish its end in a manner that will permit the transfer of his office to a president chosen in the first general election. After a Sejm debate, it is expected that presidential elections could be held on 25 November or 2 December. They will be general elections; the president elect must receive an absolute majority of the votes (a minimum of half the votes plus one), the term is to last five years.

The Citizens Committee under the chairman of the NSZZ Solidarity met. Among the new members of the Committee (29 members in all) are: Adam Bien (the last living member of the 16 accused in the Moscow trial in 1945), Stanislaw Broniewski, Antoni Macierewicz, Wladyslaw Sila-Nowicki, and Andrzej Tymowski—all advisors of Solidarity in 1981—and Janusz Korwin-Mikke; Grzegorz Palko; Maciej Ilowiecki (chairman of the Association of Polish Journalists); Andrzej Ajnenkiel (president of the Polish Historical Society); Jerzy Grohman and Jan Zamoyski (activists of the Union of Polish Industrialists); and Andrzej Bober (until recently director general of Polish Television). The Committee called for proportional elections to the Sejm, a general election for the presidency, and for the parliament to adopt a new constitution. It demanded changes at the radio and television and the transfer to the Committee of one central daily (Jacek Maziarski declared that it should be *ZYCIE WARSZAWY*) in order to equalize the chances in the elections.

The Supreme Council of the Polish Peasant Party (PSL) has decided to withdraw its support for its ministers in the government of T. Mazowiecki (there were 40 votes for, five against, and 11 abstained). In this way, the PSL has entered the opposition. M. Niezabitowska, the government spokesman, expressed regrets at the action. The ministers (A. Bentkowski, Ministry of Justice, B. Kaminski, Ministry of Environmental Protection and Natural Resources, A. Kosiniak-Kamysz, Ministry of Health and Social Services) declared that they remain at the prime

minister's disposition. The Council did not require the ministers to resign. The prime minister has decided to keep them in the cabinet.

The Alliance for Democracy consisting of the Citizens Movement—Democratic Action (ROAD) and the Forum of the Democratic Right—has come out in support of the candidacy of T. Mazowiecki for president. [passage omitted]

Minister of National Defense Piotr Kolodziejczyk declared at a press conference in Madrid: "The presence of American forces in Europe has a stabilizing effect on the situation and their withdrawal must be carefully analyzed, especially if it upsets the strategic balance."

The Helsinki Committee in Poland has sent a letter to the Sejm. It expresses its determined protest against the amendments to the Law on the Ombudsman For Civic Rights, which a group of Sejm deputies has proposed. The Committee has high regard for the results to date of the work of the ombudsman for civic rights, Prof. Ewa Letowska.

The number of unemployed has reached 887,000, including 446,000 women. On the other hand, the labor offices have 59,000 open places, including 11,000 for women. The offers are mainly for seamstresses and secretaries with a knowledge of languages. Among the current school graduates, 148,000, including 82,000 young women, have been registered (16.6 percent of the total unemployed registered). Among college graduates, 5,800, including 3,000 women, remain unemployed. In Warsaw and the Warsaw Voivodship, there are more than 500 journalists without work.

In Zakopane, on 27-30 September 1990, representatives of the defense and foreign affairs ministries of Poland, Czechoslovakia, and Hungary are to meet. GAZETA WYBORCZA emphasizes that for the first time no representative of the Soviet Army was invited to a meeting of this type. Deputy Minister of National Defense B. Komorowski told GAZETA WYBORCZA that the Soviet Union "has not moved so far in democratization that it can share its experiences"; further, the "Soviet Army has always been sovereign, and thus its representative has not been invited." The meeting was proposed by the Polish side. Czechoslovakia, writes GAZETA WYBORCZA, is particularly interested in the Polish experience with military chaplains.

Leszek Miller, secretary general of the Social Democracy of the Polish Republic (SdRP), at a meeting in Piotrkow: "L. Walesa is undoubtedly the most serious candidate for the office (of president). It is to be expected that he will present a program with which he will seek to gain votes.... The Social Democracy of the Polish Republic will nominate its own candidate and use the presidential campaign to present the true face of the party, not one deformed by aggressive propaganda." According to L. Miller, the SdRP candidate for president should be the chairman of the party Aleksander Kwasniewski.

The Polish Social Democratic Union (PUSd), which is led by T. Fiszbach, deputy marshal of the Sejm, has come out in support of L. Walesa in his campaign for president. The Union believes that the presidential elections will be "the final strike against the Yalta order imposed on us."

The German minority in Poland intends to ask the government of the Republic of Poland and Germany to recognize their dual citizenship. The council of associations of the German population in the Republic of Poland has called for individuals born and transferred to the FRG from Warmia and Silesia to be able to visit Poland without visas. It is also attempting to reactivate the German high school in Chorzow.

Ceremonies. In Lodz, Bishop W. Ziolek blessed the building of the City and Voivodship Office; next he blessed crosses to be hung in the rooms of the office building. The city fathers and council members participated in the ceremony. At St. Karol Boromeusz Church at Powazki Cemetery, a ceremony marking the transfer of the skull of an unknown officer murdered at Katyn was held. "This church," said the chancellor of the Metropolitan Curate and parish priest, "is a parish for all who died in the East." In Czestochowa, work on the Catholic General Lyceum has begun. The director of the school commented that "young people will be educated in the spirit of political and religious tolerance, and teachers will finally get a chance to fulfill themselves in creative work, which they themselves have freely chosen." Engineer Jerzy Gula, voivod, "expressed disappointment that he did not have a chance to study in a school of this type." (NIEDZIELA)

ZWIAZKOWIEC described a "school for the select" in the capital city. All the classes are in English; 60 of 300 applicants were accepted. The lecturers are mainly research workers at the Polytechnic and University; classes in chemistry and physics are to be held at the Warsaw Polytechnic. Tuition is 2 million zloty a month. After finishing school the pupils receive an international diploma which will permit study at any university in the world without an examination. The director of the school says that an influx of children of rich businessmen was feared, but it has turned out that "they are not rich people."

TRYBUNA reports that for a symbolic zloty, the Mokotow district council sold a hectare-size plot to the Barnabite Order (31 councilmen for, three against), who intend to build a preschool and rooms for the nuns who run it.

The school self-government of Kopernik General Lyceum in Lodz has criticized the introduction of religion into the school as well as how it was done. "The decided majority of pupils prefer catechism conducted at churches. We take the position that instruction in religion in school significantly devalues it; it will become one of many subjects and will lose its distinct character."

Changes in street names in the Warsaw district of Ursynow and Natolin: requests are usually made by parish priests supported by the signatures of residents. Ciszewski Street to Solidarity; Rosol to Christ the King; Finder to Mother of God; and Niebieskie Migdaly Street, previously Filipina Plaskowicka, now is to be named after Father Jerzy Popieluszko. [passage omitted]

Opinions

Karl Dedecius, translator of Polish literature:

(Interviewed by Leszek Szaruga, GAZETA WYBORCZA 20 September 1990)

[Answer] I think that Poles themselves harm themselves, if they support solidarity only with empty slogans and do not live that solidarity. I do not see any solidarity in Poland; I see, instead, many groups arguing among themselves.

Now each nation, in order to reach agreement with others, must have internal solidarity. And that is a great task for intellectuals, building such internal solidarity in society. Otherwise, in the future the same thing could happen that has happened in other countries—in the most obscurantist manner in Germany—that the mob will come to rule, that not reason but some atavistic emotions will control the social and political life. That is a most horrifying prospect.

Dr. Andrzej Samson, psychologist:

(Interviewed by Halina Retkowska, ILUSTROWANY KURIER POLSKI 15-16 September 1990)

[Question] The restoration of religion to schools or a campaign against the Law on Conditions Governing the Permissibility of Abortion can probably be numbered among the strictly political spheres of activities by the Church?

[Answer] Obviously. It is an undoubted offensive aimed at achieving important political influence in the state, which has for all intents and purposes already succeeded. The state can not make any move now without approval from the church hierarchy. Without fear of being wrong, one can say that Primate Glemp is today president number two in Poland. I think even that the opinions that he expresses in the cloakrooms of his office mean more sometimes than the voice of Jaruzelski. And in the future, they will mean significantly more. I anticipate that the next stage will be open participation by the church hierarchy in exercising authority. Deputies and senators in cassocks will appear for sure in the next parliament.

Adam Szostkiewicz, journalist:

(TYGODNIK POWSZECHNY 9 September 1990)

"I see no reason to continue caring for monuments to those who are not in the least dear to a sovereign and democratic Poland at our cost; however, I think that at

present it is not the most pressing need. I do not like so much the striving to liquidate the symbols of foreign domination (which I support), but the mechanisms of the current political battle in Poland, in which opponents of immediate liquidation of Soviet and post-PRL [Polish Peoples Republic] monuments are placed in anti-independence positions. Does the fact that someone prefers to spend a portion of the meager financial resources at the disposal of local self-government on more pressing needs mean that person is not a patriot?"

Polish Peasant Party States Political-Economic Platform

91EP0030A Warsaw ZYCIE GOSPODARCZE
in Polish No 39, 30 Sep 90 p 8

[Article by Elzbieta Eysymontt: "The PSL [Polish Peasant Party] Program"]

[Text] On 10 August, the Supreme Council of the Polish Peasant Party [PSL] approved the proposed political and social-economic program of its party. This program will be the basis for discussion by all PSL members. At the same meeting, after a fierce and very emotional discussion, members of the Supreme Council decided to withdraw the recommendations of the party for PSL ministers and to move from coalition to opposition in the Sejm.

The political and social-economic program is based on two studies. The first study is by Prof. Wladyslaw Szymanski of the Main School of Planning and Statistics, and the second, by Docent Rafal Krawczyk whose criticism of the actions that the government's economics group has taken thus far was convincing to the PSL activists.

Presenting the main intent of the program in a very abbreviated form, Roman Jagielinski, chairman of the PSL Supreme Council, said that it has a chance to become the program for all of society. Its authors believe that it would be possible to construct an efficient market economy without burdening the people with costs that might further decrease their standard of living. Assumed are the removal of administrative wage controls and "separating the financial policy of the state from the budget philosophy" while maintaining principles of equality and partnership between parties involved in cooperative enterprises with foreign entities.

The program speaks for a radical acceleration of privatization in all areas. Privatization should be realized, first of all, by specific enfranchisement of enterprise workers and turning over to them a controlling packet of shares with the right of complete freedom of disposition. The remaining shares would be the property of the State Treasury and could be sold to both domestic and foreign buyers, observing the full rights of the market. The authors, however, do not see the need for selling off national assets or significant areas of land. The matter of reconstructing an authentic cooperative movement is considered as being particularly important.

A special part of the program is dedicated to the village and agriculture. The following are listed as the most important goals: creating equal opportunity for village and city development; preserving a leading role for family farms in the agricultural model; legal safeguards for the conservation of agricultural and forest lands; and stimulating the multifunctional development of the village, which would make it possible for people who leave direct involvement in agriculture to find employment.

Poland can become an important exporter of healthful food products; our country is predisposed toward this by natural conditions and, at the same time, by its unique retardation in civilization and technology. This point, however, is in a certain contradiction with the substance of the section on ecology in which Poland is identified as one of the most ecologically devastated countries in the world.

A good deal of space is devoted to the question of state interventionism in agriculture as the basic condition that makes ensuring profitability of agricultural production possible and, at the same time, keeps food prices at an accessible level for the average consumer. Agriculture should have guaranteed reduced tariff rates, supplements and subsidies from the State Budget for the development of food production itself as well as for the development of a broadly understood village infrastructure. Interventionism should include the establishment of guaranteed minimum prices, interventionary purchasing, state reserves, supplementary payments to certain production centers, consultation and scientific research, merging and exchange of lands and reclamation, and preservation of the environment. In a word—practically everything.

The proposed PSL program pertains to all spheres of political, social, and economic life of the whole country and is undoubtedly conceived as an election bid.

Calls to 'Take to Street' Heard at OPZZ Katowice Meeting

91EP0012A Katowice TRYBUNA SLASKA in Polish
21 Sep 90 pp 1-2

[Article by Ryszard Stelmaszczyk: "Miodowicz Wants To Take to the Street"]

[Text] The All-Polish Trade Unions Agreement (OPZZ) called a conference in the Katowice Steelworks yesterday; chairpersons of trade unions from 300 large factories that are members of this central organization participated. The purpose of the meeting was to air opinions on the proposed legislation on trade unions, on the changes in voivodship trade union structures (WPZZ), and on the return of property taken over after the liquidation of Solidarity in 1982. But even the first words of Alfred Miodowicz, the OPZZ chairman, indicated that the program of the day would be broader. "The people are not living well," he said. "Balcerowicz's program is oppressing them. No matter who the president is, nothing will change.

"Let us stop hiding our heads in the sand," the OPZZ chairman implored. "We are a large trade union, we are not helpless. Where are you, comrades!"

"This is a time of battle," he continued. "If we don't take up the axes that Walesa spoke of, then we are nothing. Each of us must have an ax in hand! Comrades, I am calling you to battle in the interest of the people! How long can a situation continue in which there are 1.5 million unemployed and we do nothing. We are sitting. Let's go into the streets! Let's do something! If nothing is started in this hall, then nothing will be started anywhere!"

The critical position of OPZZ with respect to the proposed legislation on trade unions was presented by Deputy Chairman Wit Majewski. According to another deputy chairman of OPZZ, Stanislaw Wisniewski, there will be a change in the function and role of trade unions. "We are used to dealing with a socialist state," he noted. "But this time has ended."

Speaking again, Miodowicz said: "I would like a political discussion on what is happening in the country. Should OPZZ run in the presidential and parliamentary elections?"

In the discussion, critical attitudes toward the proposal of the OPZZ chairman were evident. Dissatisfaction was also expressed with the fact that political problems were being addressed at the meeting. "In the factories, we are interested in union activity," said a representative of the Staszic mine. "Politics begins in Warsaw and it ends there."

It was brought up in the discussion that there is no clear position as to what OPZZ is for and what it is against. Also noted was the fact that a strong party is needed and that OPZZ should create it.

Bogdan Szewczyk from Zdunska Wola asked whether OPZZ was reconciled to the fact that Miodowicz was not invited to a meeting with the primate. [Primate Glemp's "tea table" was held on 18 September.] Szewczyk considers this to be a case of ignoring seven million trade unionists.

"Comrade Miodowicz," Szewczyk said, "I give you complete safe conduct to act. My organization will support you. When you give the word to go into the street, we will go!"

In conclusion, OPZZ Chairman Miodowicz spoke again. He said that should he run for any office, he would consult not those gathered in the hall, the leaders of the trade union organizations from large factories, but those working in the Sendzimir Steelworks (formerly the Lenin Steelworks) from which he came.

"OPZZ has a chance to win the election," said Miodowicz. "If it does not, then it will give its votes to someone with whom it would be possible to bargain for something."

Responding to the accusation that it was a mistake to become part of the Politburo of the Central Committee of the Polish United Workers Party (PZPR), he said, "With this Politburo, it was not such a stupid idea. In this way, we had access to information which made it possible for us to topple the Messner government in three weeks. If we had access to such information now, we could do it again!"

According to Miodowicz, the chief of a trade union should not be afraid to play the political game. OPZZ should form a party that would speak for freedom and justice. "If we were to form a party of labor, freedom and justice, I would join it," the OPZZ chief said.

The final work of yesterday's meeting of trade unionists with OPZZ in the Katowice Steelworks was the adoption of a position critical of the economic and social policy of the government.

Historian on Nationalist Label, Dual Citizenship for German Minority

91EP0031A Warsaw GLOS SZCZECINSKI in Polish
12 Oct 90 p 3

[Interview with Professor Andrzej Ajnenkiel, Institute of History, Polish Academy of Sciences, by Halina Retkowska; place and date not given: "Minority Rights: 'Others,' 'Foreigners,'—'Enemies'?"]

[Text] [Retkowska] Professor, are Poles nationalistic?

[Ajnenkiel] I'd say it's more that we're sensitive about our own affairs, and that is quite understandable. Any society that has lived through so much and wound up so often in extreme situations has the right to be sensitive.

[Retkowska] But we seem to have been overly sensitive and still are.

[Ajnenkiel] The first clear form of reaction against foreigners did not come until the Swedish invasion in the middle of the 17th century. Following the years of "the flood," Poland had a lasting memory of a nation with a different faith and culture suddenly threatening the Republic's existence. Overlaid on this memory was the drama of the partitions. The situation was further complicated by the fact that the latter half of the 19th century saw the development of a modern national awareness among the Ukrainian, Lithuanian, and Jewish populations living in the territory of the Republic. Polish society began to view these population groups, which were becoming ever more conscious of their national and religious identity, as "not us," "different," "foreign." But did Polish nationalism express itself at that time? Personally I would avoid such a characterization.

[Retkowska] Let's look at the relations between the Poles and national minorities in the Republic in 1990 A.D. Do you think that Poles today see those minorities as brothers, or as "others," "foreigners," and "enemies"?

[Ajnenkiel] Let's remember the tragic experiences of the war years, the massive postwar resettlement, and finally the policy of the Communist governments. All this led in a way to the society's isolation. We unfortunately ceased to be a nation where people of different nationalities and religions on a mass scale lived alongside Poles. This circumstance was bound somehow to influence the mentality of Poles. The decades of isolation along with the publication of official propaganda that there were just about no Ukrainians, Byelorussians, or Germans in Poland created a special atmosphere. Again, contrary to reality, the propaganda projected a model of a society that was allegedly completely homogeneous in terms of nationality. In certain respects, this was reminiscent of the Right's traditional phraseology, but I would hesitate to generalize too much, because there are main causes underlying attitudes towards other people, even towards people who are not of a different nationality. Attitudes are influenced not only by economic conditions, but also by general culture, educational level, and stereotypes and prejudices of various sorts. A resident of another village or town can be considered "foreign." A member of a competing team's fan club can also, unfortunately, be considered an "enemy."

[Retkowska] Our Sejm deputies decided that a special law on national minorities would be the best way to reach this goal. Last autumn they began drafting a law which has not seen the light of day yet, but the work continues.

[Ajnenkiel] It's a very good thing that the first version of the law came back while it was still in the working stage within the Sejm commission on national and ethnic minorities, because it was a rather strange draft which artificially regulated many issues. After all, even the initial formula of the draft was very unfortunate, in that it introduced a category called "citizen of a nonnational minority." Why introduce such a strange term, when the term "national minorities" is adequate and precise, and is not discriminatory, to boot?

[Retkowska] But it seems likely that any moment now the next version of the draft law will be ready. So the issue seems to have been decided already.

[Ajnenkiel] I personally do not believe the present parliament will still be able to pass judgment on it, and it may be that the next one will not consider it necessary to pass such a law.

[Retkowska] The Chief Council of the Association of the German Population in the Polish Republic intends to approach the Polish government and the united German government to ask that the population of German descent in Poland be granted dual citizenship. If the Poles accept this request, wouldn't this give the German minority a privilege that is too far-reaching and dangerous? After all, dual citizenship is also dual loyalty.

[Ajnenkiel] To tell the truth, I don't really see any grounds for introducing such a privilege. Now, the situation of a person who leaves a given country, goes to

live in a new place, and obtains that country's citizenship without having his previous citizenship revoked is one thing. But the situation of someone who has lived in country X all his life and suddenly acquires the citizenship of country Y is completely different. Adopting such a solution could lead to tensions in international relations. Any implementation of such a measure would contribute to the destabilization of relations in Europe. I think that the proper solution would be to avoid situations that discriminate against national minorities, and also—and this is important—undertake actions to help turn the existing state boundaries into ever wider gates, rather than barriers. As everyone knows, Poland is trying to go in this direction.

YUGOSLAVIA

Tudjman Book Said To Justify Genocide

91BA0045A Belgrade NIN in Serbo-Croatian
28 Sep 90 p 47

[Unattributed commentary: "Tudjman's Trackless Areas"]

[Text] It is difficult in great historical works to discover the real motives which the historians had in tackling their difficult and responsible job. They are a world to themselves: they leave the impression of a large asp which seems not to have lived by human will and human effort, but by some higher, almost mystical force.

That is not the impression we get from Franjo Tudjman's work: His *Trackless Areas of Historical Reality* [Bespuca povijesne zbilje] (Matica Hrvatska Publishing House, Zagreb, 1989), one sees immediately, was not written in order to reveal everything that is governed by particular or general historical flows, independently of human beings. The reader should not be deceived: This work was not written out of a desire for anthropological, psychological, and sociological truth, but out of a need to cover up an astounding reality of the Ustasha genocide of Serbs, Jews, and Gypsies.

How does Tudjman approach the horrifying genocidal act committed on the soil of Croatia? What does he do to cloud over an extremely amazing reality, that is, to make it less horrifying? His tactic is transparent: He turns to philosophy instead of ethics, to statistics instead of logic. In that approach of his, the author of *Trackless Areas of Historical Reality* is reminiscent of the lawyers of the accused Nazi leaders during the Nuremberg trial: The crime of Ustashism cannot be hidden, but opportunities still remain to play down its proportions, to dilute the collective guilt by removing genocide from the area of responsibility of a people and of certain social strata and groupings to the abstract area of human nature in general. In man, Tudjman says in a roundabout way, the animal is still concealed, and if at times his destructiveness prevails, then it is not so much individuals or peoples who are responsible as the Manichaean evil in them. *Trackless Areas of Historical Reality* is basically a

philosophical defense of the evil in men solely in order to put up some defense for an extremely specific evil such as Ustashism.

Practically everyone is appealed to in the pages of *Trackless Areas of Historical Reality* as one of the authorities whose testimony might diminish the horror of Ustasha crimes at least to some extent. Tudjman did not flinch from the immense task: He decided to range over the expanses of almost the entire art of thought and as defender of the indefensible to appeal in his last desperate plea to the conclusions of the most distinguished thinkers in human history. Let us mention just some of those in this impressive pleiad: "The destiny of the weaker is the will of the stronger" (Saint Augustine); "Life is hard and cruel when the time comes to be great, and the only choice it leaves is between victory and defeat" (Oswald Spengler); "A state of peace between people who live beside one another is not a natural state; what is more, the natural state is actually a state of war." In this pleiad, we also find Hegel, Engels, and Scheler. According to Hegel, there is no reason for people to be horrified at past history, in Tudjman's paraphrase of this German philosopher, regardless of all the cruelty, injustice, and violence: War is a storm in the moral world, since it heals social contradictions, Max Scheler concludes for his part; Engels justifies any purposive violence, ridiculing the assertion that force morally degrades anyone who uses it. What is more, Engels, in Tudjman's interpretation, even advocates destruction of historical "remnants of peoples, and indeed of all those" large and small tribes and peoples "which do not have the vigorous ability to become revolutionary." And, appealing to Hegel, Engels will advocate the eradication of certain peoples in the name of revolution....

What we get from Tudjman's stroll through the dense forests of philosophy is that it is only one step from war to genocide. Genocide as a matter of fact is only the logical consequence of a numerical and ideological mismatch between peoples, as the drama of the Jews shows. Adorno and Horkheimer, Tudjman says, do not associate the phenomenon of genocide exclusively with hatred of the Jews. In essence, this hatred is only an "expression of deeper manifestations that go far beyond the existence of the Jews." Horkheimer pursues a similar line of argument. "Auschwitz," he says, "was a German affair in its execution, but not in its intellectual execution." It follows from all that that the Jews, some kind of outsiders in the world at large, had to pay a high price, just like homosexuals, because they are different from the others. Tudjman's *Trackless Areas of Historical Reality* carries the message: "Genocide threatens any minority which gets in the way of a majority...."

The ultimate purpose of this brief course in the philosophy of evil is clear: The point was to point out to the world jury that genocides, including the one in the Independent State of Croatia, are not just a matter of human unruliness or insanity, but a matter of something almost bound up in destiny. The victim is murdered by

the hand of the criminal, but the criminal, one might say, is only carrying out an order of which he is not conscious.

Why does Tudjman appeal to Adorno and Horkheimer? No doubt only to place everything that happened to the Serbs in Croatia during the war under the arches of their logic: Just as Auschwitz was in its execution a physical act of the Germans, but not an intellectual act, so Jasenovac ought to be a physical, but not an intellectual matter of Pavelic's Croats. Incidentally, was it not Krleža who wrote that "genocide has on this soil...its historical depth"? In other words, Croats merely carried out the sentence pronounced against the Serbs in Croatia by their destiny as a minority people: The dream of a racially and ethnically homogeneous Croatia justified everything. "Vae victis" ("It goes hard on those who are defeated!"), shouted Breno, the leader of the Gauls in rebellion against the Romans. Tudjman also quotes these words, words which might even serve as the motto of his book.

But in addition to the Tudjman who is a philosopher whose gaze is fixed on the horrifying abysses of the human being, there is also the Tudjman who is a witness of the time, who has confronted the mass graves and execution sites. The roles are separate: The first has the task of assuring the world of the inevitability of genocide, the other to indicate the impossibility of giving precise numerical expression to any large-scale mortality such as the annihilations during the war in the concentration camps. And in this latter role of his, Tudjman is not alone: He appeals to the authority of no one other than Borges, a writer who in the words of poetry expressed a chaste idea:

"Only one man has been born; Only one has died on this earth. To gainsay that is mere statistics. No count can be taken."

Tudjman does not hesitate a moment to quote these lines, although he does so in a footnote, lines which are packed with all the paradoxality of Borges' thought and imagination, only in order to stretch them, utterly arbitrarily, to cover large-scale atrocities committed in the name of the Croatian state. When the Argentinian writer concludes that only individual death is real, he is not departing from his own philosophy of life and death, which he has vividly compressed in a few words: "When you step on an ant, you have crushed an entire world." It is hard to believe that Borges would be disposed to look at the death that reigned in Auschwitz and Jasenovac through the optic of this conception of death. Tudjman, however, has no scruples. He is quite ready to apply a strictly personal poetic vision and conception to a reality like that of Jasenovac: If death is not individual, it is statistical, and as such it is not only less disturbing, it is also less numerically reliable.

Trackless Areas of Historical Reality disarms the reader. It is not just because of the views of the greatest philosophical authorities, but perhaps even more because this book's author takes no moral position whatsoever. For Tudjman, history has no meaning except a pragmatic one: Everything should be subordinated to affirmation of the ethnic state, even such an ethnic state as the Independent State of Croatia. The state and the people are above everything, even above God, the truth, justice, and humanity. Everything is allowed on their behalf, even the gravest crime and the greatest lie such as the lie about the number of Serbs, Jews, and Gypsies annihilated in Jasenovac. Tudjman obviously did not want to get out of his trackless areas, even though there are roads which could lead both individuals and peoples out of them. He does not look for them simply because on leaving the trackless areas he would have to tread upon the terrain of the spirit, ethics, and religion, and Tudjman is well aware that the Ustasha state can find the reasons for its existence and its acts only where there is no way out, no hope nor meaning.

BULGARIA

Economic Aspects of Converting Defense Industries

91BA0014A Sofia NARODNA ARMIYA in Bulgarian
6 Sep 90 pp 1-2

[Article by Colonel Engineer Veselin Stoyanov: "Conversion—A Visible Hope"]

[Text]

The Reason

People who write need some kind of impetus, a reason that, if not inspiring, should at least trigger the desire to take up the pen once again, despite the unpleasant premonition that a profound study one would like to make would hardly touch upon all important aspects of the problem under consideration. The reason is that our entire society is experiencing a difficult crisis and that many people, using a great variety of seemingly excuses, decline invitations to engage in a frank discussion.

I needed this introduction in order to point out that most readers, oversaturated with all sorts of information, would hardly have been strongly impressed by the short note recently published in one of our central daily newspapers. It informed us that the members of the trade unions in the defense industry in Karlovo had sent a statement to the Grand National Assembly, the chairman of the Council of Ministers, and the chairman of the KNSB [Confederation of Independent Trade Unions in Bulgaria]. They insisted on receiving full and accurate information on the true condition of the defense industry and the formulation of a comprehensive national program for conversion that, in addition to economic aspects, also had social ones.

It is also noted that plants and enterprises in that industry include specialists for whom conditions for the full use of their skills should be provided. The working people in this subsector oppose the closing of enterprises before all possibilities have been exhausted for converting to new types of production and ensuring employment for the thus released people....

In the course of several weeks, I made a study of some of the most essential aspects of conversion in our country. It is up to the readers to determine the extent of my success. However, had it not been for the supportive attitude, high competence, and readiness to help on the part of the leadership and the experts in the special department of the Ministry of Industry and Technology and other specialists and colleagues involved with such problems, it is unlikely that this article would have been written....

The Precise Language of Figures

Even the best of documents is bound to have some shortcomings. It seems to me, however, that, in the present stressful situation, it would be better to discuss

what is positive in the various areas, however little this may be, and to seek the rational kernel.

Guided by this aspiration, I made an extensive reading of the conversion program. Although I am not an economist, I could easily see the meaning of the anticipated results for the 1990-95 period: The share of civilian production in the overall volume of output is planned to reach 82.6 percent in 1995; public labor productivity would be increasing by an average of 5 percent annually, reaching 12,245 leva in 1995 as compared to 8,474 leva last year; profit by the end of this year is expected to exceed 515 million leva and, five years hence, nearly 900 million, with a net output of, respectively, more than 1 and 1.5 billion leva.

It was on the basis of this program that Resolution No. 54 of the Council of Ministers was adopted, the most essential features of which are discussed separately.

It is important to add at this point that the updated program is turned to the future. It concretizes the assignments for 1991.

Nonetheless, all of us are fed up with living with promises and big plans for the immediate and the more distant future. We are interested in what has been accomplished this year so far, what the situation is now, when the stores are empty.

According to the plan, by the end of December of this year the companies in the special complex are scheduled to produce goods and services worth about 220 million leva. In the first four months, the actual implementation of this plan reached the 42.6-percent level. I am quoting a figure of which I am absolutely certain because, at the spring fair in Plovdiv, thousands of visitors and merchants could clearly see that, in order to furnish the home, the firms had mastered and undertaken the regular production of a broad range of furniture, household appliances, sound equipment, gardening tools, assemblies and parts for passenger cars and trucks, machines and technologies for the food industry, medical equipment, instruments for the treatment of drinking water and natural biostimulators, and sets of a great variety of software and many other useful items....

Although Looked at Hastily...

Unquestionably, the implementation of the conversion will depend to a great extent on the existing organizational structure, the technological possibilities, and the product orientation of the firms....

Nine firms were organized on the basis of the former Metalkhim Economic Trust: Metalkhim, Arsenal, Gama, Beta, Pima, Ozont, Vidiya, NITI, and Opted. Production capacities with fixed capital worth 900 million leva and 36,000 persons were removed from the trust and transferred to the other companies. The former Elektron Economic Trust was reorganized as the Elektron Company.

I shall try, without getting into details and circumstances, to describe in understandable terms some basic features and characteristics of the defense complex today. The volume of commodity output exceeds 2.5 billion leva, 5 percent of which goes to the Ministry of National Defense and less than 1 percent to the Ministry of Internal Affairs. The average wage is 3,334 leva annually. Income in foreign currency exceeds 1.2 billion leva, slightly over 1 billion coming from the USSR and other socialist countries, and approximately 190 million leva in foreign exchange from nonsocialist countries. The production of goods manufactured in series, based on licenses and some domestic developments, shows good or even high returns from socialist and nonsocialist countries, reaching more than 180 percent for some items.

All of this, however, cannot conceal the obviously closed nature of the system, which limits technological transfers and the conversion of the experience from specialized to civilian production and vice versa. Dependency on imported materials and parts is virtually total.

Taking into consideration the great complexity and comprehensiveness of the process of conversion, the specialists believe that it should take place on the basis of several fundamental principles. Here are some of them: gradualness, based on the need for a transitional period to stabilize the firms, acquire experience, and outline the basic new trends in structural and technological updating; establishment of new ratios between military and civilian production in accordance with the doctrine of sensible sufficiency; application of the latest technological solutions, technological transfers, and use of new materials; mastery of the production of highly efficient and sophisticated types of goods to meet the needs of the national economy and defense; achievement, in the structure-determining areas, of a high quality and competitiveness of goods that ensure significant foreign market breakthroughs....

The main task in the first stage of the conversion, which should be completed by the end of 1991, is that of preparations and the creation of conditions for making such breakthroughs in the strategic areas of the structural and technological updating, taking into consideration the difficult financial condition of the firms, despite the temporary facilities they have been granted, to ensure the full employment of the manpower.

According to preliminary data, during that period, specialized production will not exceed 1 billion leva. This requires continuing the production exclusively of military items for which long-term agreements have been concluded and those of interest to foreign customers.

During the second stage, there will be a definitive shaping of the structural-technological aspect of the firms, based, above all, on the efficient mastery of the production of finished goods and systems to meet the needs of the domestic market and exports.

Naturally, however peaceful all of this may sound, problems of maintaining the necessary readiness for conversion to military production have not been ignored. The aspiration is to achieve an optimal correlation between civilian and defense production for such firms, ranging between 70 and 80 percent in favor of civilian production. These are the main trends of the conversion adopted in other countries as well. The implementation of the new trends requires a profound scientific approach to the application of the latest technological achievements and the maximal use of domestic material resources. The purpose is to achieve a decisive reduction in imports of metals, chemicals, and materials, the production of which is inefficient in our country, on the basis of purposeful anti-importation programs. Last year, imports of raw and other materials for the companies based on the former Metalkhim Economic Trust exceeded 500 million rubles, and 50 million leva in foreign currency from nonsocialist countries. The situation of the other companies is similar.

It is believed that, as a whole, by the end of 1995 the firms in the defense industry will assume better quality production. They will come out of their closed system and become fully part of the overall strategy governing the development of the national economy.

That is why it is extremely necessary for the basic areas of conversion to be most closely linked to the national strategic programs in the areas of metallurgy, biotechnologies, and chemistry, and the development of a national base of elements, making extensive use of the principle of stock ownership. To this effect, the items must be based on new design-technological solutions, with extensive application of optical-electronic technologies, complex materials, technologies for the irradiation treatment of food products, the production of solid parts and instruments made of superhard materials, applying wear-resistant lining, and electrical-physical treatment of materials, growing crystals, and so forth.

Metaphorically speaking, all of this is reminiscent of a galloping horseman. But even this is sufficient to realize that, in the course of its already existing development, conversion raises comprehensive and difficult problems that pertain not only to the defense industry but also to our national economy as a whole.

Looking for a Cerberus

What I saw several months ago at the Plovdiv fair, as well as what I learned in the course of my journalistic investigation, provides me with sufficient grounds to claim that the firms in the specialized complex have already taken their first major step toward mastering a wide range of consumer goods. Nonetheless, I firmly decided to look for an opponent who would comment, from his viewpoint, on what I saw.

Here is what my colleague Nevyana Dicheva said: "The conversion processes in our country triggered rather conflicting feelings within me. This occurred particularly after the spring fair in Plovdiv, where the conversion

stand was located directly opposite the tent in which beautiful but inaccessible Bulgarian furniture was being exhibited. Some of the items for use in furnishing the home, offered by the firms within the defense complex, if you will forgive me, were not aesthetically on the level. This was my first and most lasting impression. Naturally, however, this impression can be successfully attacked because people's tastes are different, not to mention the fact that, given this unparalleled scarcity, one can sell anything.... In my view, however, this is not and should not be the logic of the firms. Aesthetics also involves a means of production, of taste and upbringing. Unfortunately, it has still not become the type of Cerebus that will prevent a lack of functional use, coarseness, and ugliness....

"Something else: Beautiful things should also be useful. Some of the items exhibited seemed petty and not absolutely necessary. Nonetheless, these were objects that come to mind when they become unavailable, or else objects that are not luxuries but that make us feel more human....

"Once again, the question: Is this the natural civilian equivalent of the complex defense production? Why is it that some of the exhibited goods were virtually identical to those produced by our Soviet fellow workers, produced by colleagues, but three to four years ago? Could the reason be that it is not aesthetic at all for a microwave oven to resemble a tank?"

Lines From Decree No. 54

Decree No. 54 of the Council of Ministers, dated 29 May 1990, stipulated the adoption of a long-term program for the conversion of specialized production, which should be updated annually by the companies and the Ministry of Industry and Technology, and coordinated with the Ministry of Economics and Planning and the Ministry of Finance.

A minimal rate of 2 percent of withholding from profits for the Development and Technological Updating Fund has been set through 1993 for the following firms: Metalkhim in Sopot; Elektron and Ozont and the branches of the Ministry of National Defense in Sofia; Arsenal and NITI in Kazanluk; Beta in Cherven Bryag; Gama in Gabrovo; Dima in Vidin; Agrotekhnika in Karlovo; Bitova Elektronika in Veliko Turnovo and its Encho Staykov branch in Lyaskovets; and Pima in Mikhaylovgrad. Also through 1993, the turnover tax from the production of newly mastered industrial consumer goods will not be paid by the firms.

Every year the Ministry of Finance will provide state budget funds to maintain mothballed and partially used capacities, based on the plan for resuming loans for capital investments of firms for established and mothballed mobilization capacities.

It is recommended to the banks not to impose, until 1994, a 0.5-percent supplement on used loans for the purchase of materials and complementary items used for

special items, the production of which has been either reduced or terminated and for the unimplemented production of specialized items and, after 1993, to postpone repayment of capital investment loans made until 1988.

The company general directors must provide conditions to preserve the existing scientific potential by redirecting it to the development of scientific and applied civilian products....

The Good Legacy Must Be Preserved and Multiplied!

The thick volume I studied hours on end could not be described as interesting reading. However, the basic trends for the development of conversion in our country in 1991, which it includes, inspired a hope, which all of us lack these days, that we will negate and reject anything created in past decades....

Therefore, let us see what some of the firms are doing or are planning to develop, depending on their specific technological possibilities.

NITI is applying new machines that will make it possible to develop a comprehensive system for the production of delicatessen meat of the Bavarian and Bulgarian varieties, as well as machines and equipment for fast food. Metalkhim will master the production of a set of machines for baking bread. The same company will develop, in the next few months and, above all, next year, the production of small agricultural implements.

Interesting developments will be completed by the designers and workers of the Gama firm—basically, new textile machines. The people of Gabrovo, jointly with the Ricky-Metal System company in Scotland, intend to apply next year six different varieties of agricultural machinery for the cultivation of the soil and for the seeding and harvesting of potatoes.

The area of transport machine building also has specific "dimensions," which include the production of spare parts for automobiles and parts for electric trolleys. Consumers are also impatiently awaiting other Metalkhim developments: a gas-diesel automotive engine in a new modification, as well as socket studs, a fuel pump for the Moskvich 2141 and the 2142-2, and brake cylinders for the VAZ and the Nisa.

The Beta Company has made dramatic efforts to develop an equivalent production of civilian goods to replace its specialized output. To this day the solution of this problem remains unsatisfactory.

The production of laser equipment is concentrated in Ozont, which will continue the development of laser technological and medical systems. Probably only specialists could understand what follows; however, in the hope of being more specific, I would like to mention the forthcoming application of a medical therapy system with a 10-milliwatt helium-neon laser source—a similar system but with a laser operating on gold vapors, as well as a system for coagulation with a 100-watt laser source

based on itrium-aluminum granite. An ophthalmological system with a laser based on copper bromide is under development....

Again, Metalkhim will undertake the production of Kombilan, which is a system for orthopedic surgery; equipment for a dental laboratory; a kryothermal surgical system; a respiration monitor for babies; and a multiple-parameter diagnostic system. Together with Elektron and NITI, this company will participate in the forthcoming application of fire-prevention protective and sound-alarm systems for the home and for small industrial projects, as well as the development of 2.5- and 8-liter fire extinguishers using carbon dioxide.

In my view, the most interesting is the section that deals with consumer goods. They are classified by purpose, as follows: house furnishings, which include furniture, coffee makers, satellite antennas, color television sets, hi-fi systems, powerful stereo amplifiers for compact-disc systems, telephone sets, quartz alarm clocks, and others; sports and tourism items such as hunting rifles and shells, spinning reels, outdoor lanterns, gas stoves, sports-therapeutic equipment, and so forth; a wide range of household use tools such as assembly guns, compressed-air cutters, disks for marble and granite cutting and grinding, "hobby" general-purpose wood processing machines for household use, gardening tools, two-stroke engines for small equipment, reduction gear for power cultivators, and so forth.

The firms are engaged or are ready to finance scientific research projects involving nearly 300 items for the implementation of these plans and actual production and other long-term developments; as a result of this, they expect to undertake the production of more than 430 new or improved items and technologies. To substantiate this, let me add that the firms are planning to allocate more than 70 million leva for the development and technical improvement fund for 1991.

The delicate question that arises is whether, considering the difficult circumstances facing our entire economy, the firms in the defense industry will be able to procure such funds. To the ignorant it may seem strange, although it was known that for years on end they added to the state budget billions of leva in foreign exchange without giving a thought to the time that conversion of specialized production might become necessary. For that reason, it is simply ridiculous to see some of the estimates stress, as though blaming someone, that thus and such a company is exceeding its development expenditures by 60.8 million, another by 11.3, yet another by 7.3, a fourth by 4.8 million, and so forth. I do not wish to irritate anyone, but, for the time being, in terms the firms I mentioned, judging by their participation in the competition for practical financing of assignments out of the Structural and Technological Development Fund,

the assistance provided this year by the Ministry of Industry and Technology has been extremely inadequate.

Naturally, the saturation of the market with scarce goods is extremely necessary. However, no one can convince me that it would be right for hundreds of engineering-technical specialists and highly skilled workers, who for years on end have repaired modern aircraft and most complex aviation sets, to undertake the production of carts for ice cream vendors, stools and coat hangers, automobile trailers, and all sorts of other consumer goods that could be manufactured in workshops and by private individuals.

If, given the present difficult economic and political situation, we are unwilling to delude ourselves and the people with unsubstantiated appeals for leaving the crisis behind, let me also point out that essentially the conversion must be structured in such a way that the complex and science-intensive production facilities existing in such enterprises engage in the production of complex civilian goods that would make available to the entire national economy the scientific achievements of the defense complex.

I am referring not only to television sets, refrigerators, or video recorders or any other complex household items but also to something else. I am not the first to appeal for the revival of Bulgarian aircraft manufacturing. Let me substantiate this. The metal that is necessary for the manufacturing of an aircraft would suffice for the manufacturing of several thousand cooking pots and other household utensils that could meet the needs of several municipalities. Meanwhile, there is a steady demand on the international market for aircraft, helicopters, and aircraft engines, particularly the highly competitive varieties. For more than 30 years I have had something to do with aviation, and I can responsibly claim that we are able to produce light aircraft of high quality. The currency earned from the sale of a single such aircraft would enable us to buy several hundred percent more household utensils, shoes, and household electrical appliances.

I hope that these problems will be dealt with not only by firms and individual ministries but also by the Grand National Assembly and the presidency, after scientists and economists, together with production workers in the defense industry, make even more precise calculations of everything. Only then will we be able to retain and multiply the few good things we have inherited from the past....

POLAND

Current Defense Problems Discussed at New National Defense Academy

91EP0016A Warsaw ZOLNIERZ

RZECZYPOSPOLITEJ in Polish 26 Sep 90 pp 1, 3

[Article by Lt. Col. Tadeusz Mitek: "Discussion in the National Defense Academy: On Defense—With Concern and Controversially"]

[Text]

- What kind of army do we need?
- Doctrinal assumptions and realities.
- Defense dependent on economics.
- Duties and the state of military technology.
- Who presents a threat?
- The army in a democratic state.

What are the principal defense problems in the Polish Republic today given the conditions of the current political-military situation in Europe and the world? This was the subject of discussion on 25 September in the National Defense Academy, several days before the beginning of instruction in this newly formed school of the Polish Army.

The panel discussion included representatives of central institutions of the Ministry of National Defense; representatives of [military] districts, branches of the services, and other schools and military science centers; representatives of civilian sciences; and a group of deputies from the Sejm Commission for National Defense. Dr. Janusz Onyszkiewicz, deputy minister for national defense, was also present.

In opening the discussion, Gen. Div. Tadeusz Jemiolo, commandant of the Academy, presented a broad range of subjects connected with the problems to be discussed at the meeting. Also rich in substance was the discussion which lasted several hours; nor was it free of controversy and polemics among the various arguments and points of view expressed. In this report, we will, of necessity, limit ourselves to a cursory presentation of at least the main lines of the discussion.

Prof. Jan Szczepanski, initiating the discussion, indicated the historical and sociological dependence of the role of the army in the structural changes in the country. He spoke against a certain mystical thinking on the role of the army, stating that the sense of the existence of the army is, first of all, victory in war, even if only a hypothetical war. Speaking of the challenges that stand before the Polish Army today, Professor Szczepanski divided them into external and internal. The former spring from the reunification of Germany and the rise, directly on our western border, of a country with enormous economic potential and expansionist traditions, and also from the very unstable situation in the USSR and the nationalist tendencies appearing along our eastern border which contain certain elements of territorial revindication.

Internal challenges spring from questions that the army must ask itself about whether there is any possibility of an outburst of public emotions and destabilization of the country connected with such an outburst in the face of the constantly rationalized political life of the country.

Deputy Minister Onyszkiewicz joined in this statement, viewing the duty of the army as being primarily to ensure the internal safety of the country. In the face of the reduced possibility of a global East-West conflict and

small probability in the near future of a scenario of armed conflict in Central Europe, the prospect of a military threat existing for Poland and its borders does not exist at present, in the opinion of Onyszkiewicz. This presents a temporary prospect for a rational reorganization of the army and the whole system of national defense.

Deputy Jacek Szymanderski introduced a different set of considerations into the discussion. He linked it to the question of the role of the army in the parliamentary system that is being formed and, in connection with this, the role of parliament in shaping the image of the army, the formation of its structures, and the designation of its goals. Szymanderski believes that there is still much improvisation and deficiency. Mutual contacts are still somewhat in the nature of slogans and are limited to vague dealing with approximations, as for example, in the matter of providing for the army budget.

Deputy Szymanderski also called attention to the change in the relation of the public to the uniform and the traditional symbols connected with it resulting from the civil and cultural transformations. Underestimating this process carries the danger of the development of an intergenerational division with respect to the attitude toward military service.

Also considering how the army is to be made into an element in the system of a democratic state, when the military participants in the meeting spoke, they presented mainly the actual problems of ensuring national defense. The Generals Zdzislaw Stelmaszuk, Franciszek Puchala and Apoloniusz Golik and representatives of military sciences indicated the need to make the doctrine of national security realistic and the requisite of linking the discussions of army programs to an analysis of the defense-economic potential of the country. Disquieting were the voices presenting the state of the fighting equipment of the army, its deterioration and technological backwardness as well as the lack of prospects for developing and equipping the army with modern, very costly equipment.

The controversies which we mentioned at the outset appeared to be (stating the case with a certain simplification) a choice between the options of the deputies and the professional army representatives, and concerned the formal-legal role of parliament and politicians in determining the strategic duties and functions of the army and in controlling the defense capabilities of the country. The inclination on both sides was toward an increase in the authority and responsibilities of the democratic parliament. The army, in realizing the doctrine, (in addition to functions connected with professional expertise) would carry out the role of executive realizer (not the sole realizer) of the doctrine of national security.

Another plane of the controversy was evident within the circle of generals who spoke. Most broadly speaking, it concerned the process and goal of the so-called restructuring. On the one hand some wanted to continue it, and on the other, some wanted to discontinue it and "save what can be saved." Arguments also arose in the matter

of the pace and costs of dislocation of the armies—unavoidable in view of the geopolitical changes in our part of Europe.

Asked to summarize the discussion, Prof. Szczepanski stressed in his statement that the army is an emanation of the people and reflects its state and the state of the economy of the country.

Gen. Jemiolo, as chairman of the meeting, announced its [the discussion's] continuation in various specialized groups. This announcement was received with appreciation since the discussion in National Defense Academy was marked by great openness, variety of approaches to the subject, and boldness of judgments expressed—which predicts that its continuation will be useful as far as the army is concerned.

Military Daily Folds; New Paper Under New Editor Established

Old Paper Bids Farewell

91EP0017A Warsaw ZOLNIERZ
RZECZYPOSPOLITEJ in Polish 28-30 Sep 90 p 1

[Letter by Colonel Zdzislaw Janos]

[Text] In connection with termination of the publication of ZOLNIERZ RZECZYPOSPOLITEJ, I express to all of our authors, correspondents, and especially to readers of the Polish Society, sincerest appreciation for fruitful cooperation with the editors.

In the name of all personnel,
Colonel Zdzislaw Janos

* * *

Attention Readers!

The publishers, Czasopisma Wojskowe, announce that as of today, the daily ZOLNIERZ RZECZYPOSPOLITEJ will cease publication. At the same time, plans have been made to publish a new paper of the Polish Army as of the middle of October. Subscribers who have paid for the fourth quarter of this year will continue to receive the new daily. The rates for subsequent subscriptions will be announced in one of the early issues.

Goals of New Paper Outlined

91EP0017B Warsaw ZOLNIERZ
RZECZYPOSPOLITEJ in Polish 26 Sep 90 p 2

[Article by PAP [Polish Press Agency]: "Returning the Goodwill and Trust of the People to Our Army: Editor in Chief J. Slaski Speaks of the Task of POLSKA ZBROJNA"]

[Text] "We would like the paper we will edit to form and at the same time stimulate changes that are taking place in the Polish Army," the editor in chief of POLSKA ZBROJNA, Jerzy Slaski, told PAP [Polish Press Agency] journalists. The first issue of this paper of the Polish Army will appear in mid-October.

"We are convinced," said Slaski, "that the paper will work effectively in this way to build the authority of the armed forces, returning to our army the goodwill and trust of the people.

"The title is not original. We allude in it to a paper that was published in the period between the wars, from October 1921 to August 1939, with the last issue appearing on 20 August in a Warsaw under siege by the Germans. True, there was a period later when POLSKA ZBROJNA was published again, from January 1945 to July 1950, but this was an entirely different paper. It was a reflection of the changes that occurred in Poland. Poland changed at that time, the army changed, and its press organ changed. I will not hide the fact that the POLSKA ZBROJNA published in those first postwar years, like the paper it was turned into after 1950, ZOLNIERZ WOLNOSCI, represented the position of the army which returned to the past, irretrievably, we believe. This was not a people's army. It was an army that was an armed extension of the Communist Party, helping it to enslave the people. Those traditions are foreign to us and we are decidedly cutting ourselves away from them.

"The paper which we shall edit will be a paper new in every respect. As far as its political aspect is concerned, according to the old principle binding in the Polish Army, it will be, just as the whole army is, apolitical in the sense that it will not become involved on the side of any of the parties or political groups active in Poland, but will present, in an objective manner, the positions of all the political forces in the country, giving the reader the completely free right of choosing among them. But it will be a political paper in that it will be involved, in an unequivocal manner, in the process of historical change taking place in Poland for the last 18 months, which resulted in Poland's moving along a road leading to a fully democratic state, a sovereign and fully independent state.

"We also want POLSKA ZBROJNA to indicate our progress on that road and to note and overcome the difficulties and impediments that appear along it.

"Essentially, it will be a paper addressed to a double readership: first of all, the members of the Polish Army, but also to the civilian reader. We want to introduce it into the general distribution network, to make it a paper present in the public life of the whole nation, sharing in the formation of public opinion. We believe that we will be able to accomplish this task—difficult also considering the bad traditions that the military press has formed for itself during the past years," Slaski said.

CZECHOSLOVAKIA

Philosophy of Small Privatization Detailed*91CH0034D Prague ZEMEDEL'SKE NOVINY
in Czech 15 Sep 90 p 9*

[Unattributed article: "Philosophy of Small Privatization"]

[Text] The draft of a law intended to codify so-called small privatization will be presented to parliament for debate in late September or early October. Specific sections will certainly change, but the foundation of the law should remain basically the same, as well as the philosophy, which we will try to explain in this article.

Small privatization is meant to include smaller government enterprises (service businesses and construction firms), some plots of land or nonhousing facilities under government ownership, as well as some branches of government enterprises that are capable of an independent existence. The law is intended to cover the sale of this property from the government into private hands before the year is out. Regional commissions will play a major role in this. These commissions will be set up by the Ministry for National Property Administration and Privatization. The commissions are supposed to include representatives from local administrations, founders of the enterprise to be privatized, the Town and Village Union, delegates from the Czech National Council, and representatives of pertinent trade unions. The commission should be named with balance in mind, so that the interests of no single party dominates (such as those of the entrepreneur or of the village).

The commissions will make up lists of property designated for small privatization. The list will describe the property or business, summarize its obligations and claims, so the public can be informed. The property will then be sold at public auction. The goal is to hold all such auctions nationwide as close together as possible. The asking price has been proposed as 50 percent of the residual book value of capital assets and, in areas where depreciation is not taken, at 20 percent of the acquisition cost.

Property with no declared owners or for which there are claims by previous owners that would return the property to them for free, will be excluded from the list.

Employees of enterprises being auctioned off have the opportunity to pay for auctioned parts of the firm over a five year period. Other buyers must make final payment within three days of the auction, or lose their right of purchase to the next party in line. It will be interesting to see how monetary institutions react to deposit withdrawals.

The new owner has all pertinent rights, including labor law obligations to employees. Employees may be fired subject to the labor code. Demands that arise for wage settlements should be covered from the state budget.

The goal of small privatization is not to obtain immense sums for the state budget, but as rapidly as possible to resolve ownership relationships so the economy can move forward. The draft law stipulates that 70 percent of auction proceeds goes to the government, and 30 percent to the community. Government property not included in small privatization will have to await large privatization, where the issue of prices will be very important, especially when negotiating with interested foreign parties.

During small privatization direct sales to foreigners for hard currencies is prohibited. It is no secret, though, that this can be avoided using a third party, or by later founding a firm with a foreign partner. The question is, however, whether we want to set up barriers to foreign capital. We ourselves are talking, after all, of the need for competition, for enlivening the stagnant waters of market supply. Of course we cannot neglect the current conditions, because selling property "for a song" also will not solve the problem. Nor can we rule out speculative purchases by various domestic groups.

A journalist from Reuters described small privatization using an analogy of the government as a charity organization looking for fathers for orphans. Some fathers will be good, others will be lousy, there is no way to avoid it. But all the fathers will have to manage under market conditions, otherwise they will fail.

Small Privatization Pricing To Be Reasonable*91CH0034B Prague RUDE PRAVO in Czech
29 Sep 90 pp 1-2*

[Article by Vladimir Cechlovsky: "Prices Will Be Reasonable"]

[Text] Prague (from our correspondent)—The "economist" ministers uniformly protested a first option right for retail trade employees and their view prevailed. This should not, however, be interpreted as a victory for one side. The problem remains open. The votes came in, figuratively speaking, at 49:51, but the count could have gone the other way.

This is how the results of talks among the three governments in Kromeriz on Friday were characterized for journalists by representatives of the Ministry of Finance and Ministry for National Property Privatization and Administration of the Czech Republic, led by Minister Tomas Jezek. Their interpretation implied that the proposal had, after all, undergone many changes. What will the negotiators face at the table in the upcoming days?

Speculation a Necessary Evil?

It has been confirmed that current retail trade employees should have the opportunity to pay 50 percent of the purchase price without interest. This, in view of the level of inflation, is considered a major discount. The new owner, with the exception of stores selling basic foods where a two year period has been mandated during which the store must stay in the same business, has no

constraints on his disposition of the property, including its speculative sale. "Politician" ministers at Kromeriz apparently feared the disruption of the market network but the view prevailed that regulation would be counter to the principles of a market economy. The interest in buying properties, opponents argued, would decline, which would lower property prices, which might even eventually threaten the privatization process.

In contrast to original proposals, the number of potential buyers is continually increasing. Even foreigners can be included. This includes former Czechoslovak citizens who emigrated after February 1948 and continue to live abroad, and foreigners with permanent residence in our country or who have been here continuously at least one year prior to the adoption of the small privatization law. Legal entities made up of these categories of foreigners will also be able to purchase real property.

How much will it cost? The asking price is made up of residual values of buildings, structures, machinery and equipment, and the price of land and inventories. The sale will be closed at the auction price, i.e. the highest bid. If no one is interested even at this price the auction will be repeated, perhaps multiple times. Those who win the bidding but then have second thoughts and refuse to sign the purchase contract will be severely punished. They will have to pay a fine equal to 20 percent of the auctioned price.

"The actual price will be very, very low, making it accessible to simple, normal people", estimates Dusan Triska, an advisor to Minister Klaus. It is expected that citizens will "throw" Kcs30 to 40 billion at the auctions (out of an estimated Kcs300 billion in savings accounts). Roughly 100,000 facilities should end up in private hands, including those of some previous owners.

Minister Was More Careful

It is still true that property designated for privatization will not be categorized by size, number of employees, etc. "This is property that has some hope of being sold; larger properties, bluntly, won't sell", the journalists were told. The composition of local privatization commissions, whose members will represent various interest groups, is intended to be an adequate assurance against attempts by villages to retain control of certain operations. Unions are also to be represented on the commissions. Ministries for Privatization are responsible for staffing the commissions. These ministries also have the right to add to the lists of property subject to privatization.

Opinions on the social standing of current retail trade employees were far from uniform. Dusan Triska asserted with certainty that the tertiary sphere holds immense potential for employing these people. Minister Jezek, on the other hand, noted that the proposal contained short term risks. He stated however that it also contained legal safeguards. He did not mention, however, what safeguards he had in mind. He added that in contrast to this risk there is another, more serious risk: an army of entrepreneurs awaiting the same chances for everyone.

Also new is the fact that the small privatization law will be split into two laws. One is intended for adoption at the federal level. However the actual implementation of small privatization will be established by national council laws.

POLAND

Crop Yields for Beets, Fruit, Vegetables, Wheat Provided

91EP0023A Warsaw ZYCIE GOSPODARCZE
in Polish No 9, 9 Sep 90 p 5

[Article by A.N.: "There Won't Be Any Crop Failure"]

[Text] Field and orchard cultivation has not seen any sign of winter. Spring came earlier, too, and initially helped agriculture. The favorable conditions did not last long, though. A drought began, and cool weather set in, ending in several waves of frost, which continued right up till the end of May. Conditions did not improve until June and July, and they still did not make up for the earlier whims of nature or the reduced applications of fertilizers and pesticides. Yields will be lower, not so much lower for field crops but more so for vegetable horticulture.

Grain

Farmers sowed 8,430,800 hectares, nearly 172,000 more than the previous year, but because yields were lower by more than a quintal, the overall harvest is about 1.5 percent less. Sowing of winter grains were up by nearly six percent, but summer grains showed a clear decline. Grain harvests on socialized farms are somewhat higher than last year, but on private farms they were 2.5 percent lower. Figures from GUS [Central Office of Statistics] indicate that this year there should be a yield of 39.3 quintals per hectare for wheat (41.4 quintals in 1989); 26.1 quintals per hectare for rye (27.3 quintals in 1989); 40.4 quintals per hectare for barley (down 3.2 quintals from the previous year); and 35.0 quintals per hectare for rye-wheat hybrid [pszenzyto] (37.1 quintals in 1989). Wheat yields range between 27.1 quintals per hectare in Nowy Sacz Voivodship and 50.4 quintals per hectare in Gdansk Voivodship. Rye yields vary from 20.2 quintals per hectare in Ciechanow Voivodship to 35.0 quintals per hectare in Szczecin Voivodship. Barley yields fall between 25.2 quintals per hectare in Nowy Sacz Voivodship to 45.6 quintals per hectare in Poznan Voivodship.

The difference in yields between this year and last is far smaller for summer grain than for winter grain. The autumn drought interfered with the sprouting of winter crops, which in turn had an adverse affect on crop yields. Because summer grains were sown under more favorable conditions, especially those sown early in the season, the decline in barley and summer wheat yields, for example, did not exceed one percent.

Yields were about 31.6 quintals per hectare for summer wheat (31.9 quintals in 1989); 31.4 quintals per hectare for barley (31.7 quintals in 1989); 26.1 quintals per hectare for oats (27.2 quintals in 1989); and 28.5 quintals per hectare for mixed grains (29.8 quintals in 1989). Nowy Sacz Voivodship had the lowest wheat yields, with 25.9 quintals per hectare, and Szczecin Voivodship the highest with 39.7 quintals per hectare. Barley yields ranged from 24.6 quintals per hectare in Radom Voivodship to 39.7 quintals per hectare in Leszno Voivodship. Oat yields fluctuated between 20.8 quintals per hectare in Radom Voivodship to 35.2 quintals per hectare in Szczecin Voivodship. This year about 31,000 hectares of summer wheat were sown, and crop yields were on the level of barley and summer wheat.

Rape

Rape [rzepak—*Brassica oleifera* Moench and rzepik—*Brassica campestris oleifera* D.C.] was harvested from a total of 500,300 hectares, 70,000 hectares less land than a year ago. Owing to the drought which prevailed during the sowing period, part of the area planted had to be replowed, and the remaining area was generally in poor condition. For this reason the yield was only 24.3 quintals per hectare, 12 percent lower than a year ago, and yields of both crops are 23.4 percent below last year.

The highest yields came from Skierniewice Voivodship (27.9 quintals per hectare); Szczecin and Warsaw Voivodships (27.8 quintals per hectare); Olsztyn Voivodship (27.6 quintals per hectare); and Gdansk Voivodship (27.1 quintals per hectare). Krosno Voivodship produced the lowest yields (17.4 quintals per hectare), followed by Nowy Sad Voivodship (18.4 quintals per hectare) and Konin Voivodship (19.3 quintals per hectare).

Potatoes and Sugar Beets

The status of potato plantings during the latter half of July was similar to last year. Sugar beets, on the other hand, appear more promising. This year potatoes were planted on 1,779,500 hectares, which is 1.6 percent less than last year. Potato fields in Legnica, Leszno, Szczecin, Tarnow, Wroclaw, and Zamosc Voivodships appear to be the best, but those in Kalisz and Sieradz Voivodships are poor. In many regions there has been a great increase in the potato beetle, which may cause reduced yields, because farmers are using far less pesticides.

Farmers have planted sugar beets on 440,200 hectares, 4 percent more than last year, undoubtedly because of last year's favorable prices. The status of plantings would suggest good yields are in store. This is probably the only crop which runs the risk of failing. Sugar beets appear most promising in Tarnow, Elblag, Konin, Leszno, Lodz, Opole, and Wroclaw Voivodships and seem least hopeful in Nowy Sacz, Suwalki, and Lomze Voivodships.

Vegetables

Vegetables are being cultivated on about 256,000 hectares, which is 1.4 percent lower than last year. It is estimated that yields will be about the same as last year for cabbage, cauliflower, onions, carrots, and beets, but cucumber and tomato yields will be lower.

Cabbage. The spring weather did not help early growing. Frost harmed many plants. Drought took its toll. The June rains helped, especially late cabbage plantings. Harvests are projected at about 1,620 tons.

Cauliflower. Bad weather adversely affected the yield and quality of early cauliflower. Plantings of later varieties show great promise. Harvests will be on the order of last year, about 230,000 tons.

Onions. Early plantings came up well, but later ones, during the dry period, did not. Later, however, the conditions improved for the plantings, and harvests are projected to be pretty good, about 560,000 tons.

Cucumbers. The dry conditions and frost caused great damage. Although the condition of plantings improved, harvests will be about 300,000 tons, 15 percent lower than last year.

Tomatoes. The situation looks the worst here. Harvests will be lower than last year by more than 22 percent. The frosts during the latter half of May either caused great harm or completely destroyed the tomato seedlings that had been planted. Flowering was delayed, and there were fewer blossoms. Virus and fungus conditions increased. Harvests will total about 350,000 tons. The lowest yields are noted for green beans, garlic, radishes, lettuce, and chives, as prices show.

Fruit

Fruit trees blossomed three to four weeks earlier than usual this year, making them more subject to frost. In some regions, particularly in Southern Poland, where the temperatures went down to 18 degrees Celsius, blossoms and budding fruit froze completely. All voivodships are anticipating a substantial decline in fruit production, especially Nowy Sacz and Przemyśl Voivodships, which are expecting a decrease of more than 80 percent.

Overall, cherries had the best yield, falling only 18 percent below last year's level. We are anticipating 56.4 percent of last year's harvest of apples; 50.8 percent of last year's harvest of pears; 40 percent of the plums; 47.6 percent of the cherries; and 41.2 percent of the peaches, apricots, and walnuts. The orchards will produce yields 43 percent lower than last year's. Among the apple varieties, the Cortlands, Lobos (what a pity, when they are the tastiest!), McIntoshes, and Idareds suffered the most. There will be very few Hungarian plums.

The frost had just as fateful an impact on berry plantings. About 15 percent of the red currant, gooseberry, and raspberry plants yielded nothing at all, because the buds froze. The situation was still worse for black currants,

which suffered a 25-percent loss. Many plantings suffered when frost destroyed strawberry flowers and buds, especially the earlier varieties. Yields of berries are projected to be 20 percent below last year.

Total berry production is about 415,000 tons. The major items are strawberries (220,000 tons) and currants (130,000 tons).

Iraq Crisis: Short-Term, Long-Term Effects on Economy Viewed

91EP0025A Warsaw *POLITYKA-EKSPORT-IMPORT*
in Polish No 10, Oct 90 p 17

[Article by Professor Dr. Jan Danielewski, an associate of the Institute for Economic Cycles and Prices in Foreign Trade: "Sand in the Eyes: The Iraq Crisis and Poland"]

[Text] The annexation of Kuwait by Iraq is influencing Poland's economic situation, both directly, in connection with our trade with Iraq and Kuwait, and, much more seriously, indirectly as a result of the international repercussions of that conflict.

Both countries, Iraq and Kuwait, have never figured prominently in our foreign trade. To be sure, Iraq's share in the aggregate value of Polish foreign-exchange exports in 1962—a year in which Polish-Iraqi trade had reached its historic peak—had reached 4.5 percent, but in 1988 it dropped to barely 0.39 percent (\$32 million), and the corresponding figures for Kuwait were 0.33 and 0.26 percent. Consider also that our imports from these countries were substantial only in certain years, and only with respect to Iraq at that. Altogether, however, in the years 1981-90, we had a fairly high positive balance of trade with them: \$940 million with Iraq and \$200 million with Kuwait.

The official statistics on the preceding years did not allow for our exports of so-called nonitemized equipment—that is, armaments to Iraq. I do not believe, however, that the aggregate value of our exports to Iraq, including that "nonitemized equipment," reached more than two percent of our overall foreign-exchange exports.

Besides, a precise determination of Iraq's share in our exports is not essential here. Both countries were not only good trade partners but also a source of net foreign-exchange revenues. At present (September 1990) Iraq owes Poland about \$500 million, supposed to be repaid over this year and the next few years. For several years now we had been utilizing Iraq's debt to augment our imports of crude petroleum from that country. This year we concluded an agreement for the delivery of 1 million metric tons of crude, of which we succeeded in receiving more than 250,000 tons before the occupation of Kuwait by Iraqi troops. The balance was to be shipped before year end and next year. My calculations show that, as a rule, we used to pay Iraq about 10 percent above the world prices. At any rate, there are no grounds for claiming that Iraq had been doing us a big favor by

selling us what were, properly speaking, limited quantities of crude at higher prices. Thus I do not think that we should have reason to deplore the temporary loss of that supply source of crude. But we do have reason to deplore the loss of the monies owed us by Iraq. It is highly doubtful whether Iraq shall ever repay us that \$500 million.

Another loss that we suffered is the cessation of shipments of goods valued at \$115 million to Iraq under contracts for this year. We are not likely to sell most of these goods to other customers.

As for the contracts for delivery of services to Iraq, these are being implemented, but in this case much depends on continued goods shipments from Poland. Another obstacle is the desire of most Polish nationals working in Iraq to return to Poland. The aggregate value of the imperiled service contracts with Iraq is estimated by the Ministry of Foreign Economic Cooperation at \$121.6 million. The breaking of these contracts will entail additional losses such as the forfeiture of the financial guarantees we had deposited with Iraqi banks, the failure to receive payment for the services already rendered, the value of the abandoned equipment, etc.—losses reckoned at \$168.2 million by the Ministry (which [represents] \$77 million in equipment alone).

These losses may be augmented by the eventual payment of compensation to Iraqi customers for failure to implement service contracts; such compensations may be readily awarded by Iraqi courts, and the execution of their verdicts should not be problematic—e.g., the compensation payments will be deducted from Iraq's debt to us.

The Ministry of Foreign Economic Cooperation also finds that we should allow for losses amounting to more than \$1.5 billion due to the suspension of trade negotiations. Recently, for example, we had negotiated with Iraq contracts for the delivery of various goods valued at \$215 million and for the implementation of various—chiefly construction and installation—services valued at \$1,300.5 million.

As of last July, more than 2,500 Polish experts, chiefly engineers delegated by such companies as Polimex, Dromex, and Polservice, had been working in Iraq. About one-half have already returned to Poland. Now the repatriation of the savings of our experts, from both Iraq and Kuwait, may be a problem.

Another consequence of the suspension of trade between both countries will be the annulment of export orders in our domestic industry, along with the loss of jobs and earnings by several thousand people, disruptions of coproduction ties among plants, etc. These consequences will be felt only at certain manufacturing plants.

It seems to me, however, that the consequences of the Iraq crisis to the entire world economy will be (already are) much more menacing to our economy. First, there is the rise in crude petroleum prices to \$35 a barrel from

about \$18, that is, an increase of as much as \$125 per metric ton. For the time being, this increase will not affect us significantly because, I believe, we will not have to buy more than 2 million metric tons at these high prices. But next year we will have to pay \$2 billion more for imports of about 16 million metric tons of petroleum (including petroleum products) than they would have cost in the first half of 1990. Incidentally, the previous low prices of crude—since the second quarter of 1988—could not have lasted anyway, and many experts had been predicting their gradual rise to about \$25 per barrel in the next five years. Earning that additional \$2 billion would require of us, e.g., increasing coal exports by some 40 to 50 million metric tons, which in itself is a good illustration of the gravity of this problem. And even if the world price of crude petroleum stabilizes in 1991 at the level of \$25 per barrel, that would mean that we would have to spend about \$800 million more than we did before the Iraq conflict.

Even so, the increase in the cost of importing crude petroleum signals only the beginning of indirect negative consequences of the Iraq crisis to our economy. This increase will apply to all, not just to Poland alone. The developed capitalist countries will of a certainty cope with this problem better than we, in view of their huge reserves of not only funds but unutilized production capacity. But these reserves cannot be mobilized immediately. The higher cost of importing crude petroleum will compel an overwhelming majority of countries to curtail their imports of other goods, and that in its turn will signify a universal decline in exports and by the same token in production and employment. In other words, high prices of crude petroleum will magnify the signs of a worldwide recession which has already become evident toward the end of the first half of this year (i.e., before the occupation of Kuwait by Iraqi troops). The increased earnings of the oil exporting countries will not result in an immediate expansion of imports by these countries on a scale sufficient to halt the decline in worldwide industrial output. Clearly, it is the poorest countries that shall suffer most owing to the increase in crude oil prices.

Even now an acceleration in the pace of inflation can be observed in the world's most industrialized countries. This is being accompanied by increases in interest rates.

An additional factor, which shall undoubtedly aggravate the situation in the world economy, is the cost of Iraq's economic blockade. The United States is spending about \$1.5 billion monthly on defraying the cost of its military presence on the Persian Gulf. This shall not affect favorably the dollar exchange rate.

It is not difficult to conclude that the Iraqi crisis poses additional problems for Poland in marketing its goods on various world markets. I personally believe that the current worldwide economic situation will not be favorable to our attempts to obtain relief in repaying our foreign indebtedness. Too many other countries will

make similar attempts owing to the sudden deterioration in their balances of payments.

One thing is certain, this crisis shall affect us keenly. But what is still not certain is whether we shall be compensated in any way by the West for our participation in the blockade of Iraq.

Commentary on Energy Source Utilization for Period 1990-2010

91EP0035A Warsaw GAZETA PRZEMYSŁOWA
in Polish No 21, 10 Oct 90 pp 1, 5

[Article by Dr. Kazimierz Adamczyk, director of the Department of Energy and Fuel Economy of the Ministry of Industry: "What Next With the Polish Power Industry?"]

[Text] "Energy Policy Assumptions of the Republic of Poland for 1990-2010," a report prepared by the Department of Energy and Fuel Economy of the Ministry of Industry, as directed by the Council of Ministers on 4 September 1990, was sent to the Sejm for consideration. This material contains the results of studies of a qualitative nature, recommends the actions which must be taken in the fuels and energy system on a nationwide scale and presents, in detail, the basic fuel and energy supply-and-demand figures for the years 1990-2010.

Upon acceptance by the Sejm of these figures, the assumptions will constitute the general framework defining Poland's energy policy and will be the basic source of information for potential domestic and foreign investors, producers, and users of fuel and energy as to the possibilities, conditions, and directions of change in the management of fuel and energy in our country. The Polish economy is now in a state of transition to a market economy. At the same time, profound economic changes are taking place in the West European countries—changes that have a large influence on our economy due to the great economic dependencies that have been established over the years. That is why some of the assumptions regarding the country's development, as outlined in the report, will probably be rendered invalid. Because of this, the Ministry of Industry will be constantly evaluating, analyzing, and studying the problems covered, making the necessary revisions, and annually updating this document.

The production capacity reserves now present in the domestic-fuels-energy system, which arose as a result of the recession, will probably exist during the next three to four years. This creates a unique opportunity to restructure the system and even leaves a certain margin of safety allowing the assumptions to be revised in case unforeseen situations occur, such as the restrictions now being reported by the Soviet Union on deliveries of natural gas and petroleum, which, if there were a shortage of fuel and energy, would probably not be possible.

Foreign capital must also be attracted to finance the reconstruction and expansion of power facilities. The initial requisite for the commitment of foreign capital in the country's power industry is a well-ordered system of prices governing energy sources and changes in the organizational structure and forms of ownership in the power industry sector.

The construction of large power facilities can be financed from domestic or foreign credit which will be returned by the investor from profits if prices of fuels and energy are correctly fixed. This has already been done for the gas industry, using a loan from the World Bank for the development of gas extraction. The requirement that payment be made in dollars for the import of natural gas and petroleum from the Soviet Union beginning in 1990, [and] the removal of subsidies on hard coal as dictated by the rate of the price changes in other fuels and energy which will go into effect as early as 1990 and no later than 1993, will, in the case of industry, require a twofold to threefold rise in the price of fuels and energy.

Implementation of the following measures for the relevant power industry subsystems is anticipated in the immediate future:

—Regardless of the further negotiations now being conducted with the Soviet Union for the obtainment in 1991 of deliveries of natural gas and petroleum in the indispensable amounts, in accordance with the assumptions that import sources will be diversified, talks have been held and work has been underway for a long time on the obtainment of these fuels from the West.

Insofar as gas is concerned, this will require development of the appropriate engineering infrastructure, depending upon the time that this fuel will be obtained from that direction. This poses a specific threat to the gas industry in Poland next year and may result in periodic restrictions on selected commercial users as well as delays in the elimination of certain coking plants to maintain the level of deliveries of coking gas to the network.

It may also have an impact on the rate of gasification in the country.

On the local level it is possible that this problem can be solved by importing propane-butane gas from the West and by mainless gasification. As already mentioned, the aim is to increase the obtainment of natural gas from domestic sources using World Bank credit.

—As concerns petroleum and liquid fuels, the change in trade with the Soviet Union to world prices allows us to treat both directions on the basis of cost-effectiveness. The country's needs may be covered by larger imports of liquid fuels from the West. But we will have to produce most of them in refineries using Soviet crude oil, which we will probably be able to buy at world prices. This means that we must seek other

competitive suppliers and increase the transshipping capacity of our ports. Measures are being taken to do so.

In addition, talks are being held with representatives of Western European petroleum firms on the subject of their involvement in the development of the refining industry and the sphere of distribution of liquid fuels in Poland.

—In the electric power industry, the existing reserve capacity and the accumulated very large stocks of coal in the power plants and heat generating plants prior to the 1990-91 heating season have made it possible to ensure deliveries of electrical energy in the near future for domestic purchasers in the indispensable amounts.

In view of the irregularity in the daily demand for power, the priority for the next few years is to set in motion the necessary flexible peak-power units and also continue the construction of the Mlota pumped-storage power station. It is also important to quickly complete the capital projects begun in the heat-generating industry (particularly the Opole power plant) and to reconstruct and repair the existing power plants, installing emission sulfur-removal equipment. In order to increase the safety of the power industry in the Bialystok region, which now (due to lack of sufficient transmission capacity) is supplied from the USSR network, the construction of additional 110 and 220 kV lines, connected to Poland's power system, is absolutely essential.

In accordance with the 4 September 1990 decision of the Council of Ministers, the Zarnowiec Nuclear Power Plant is being liquidated, both for economic as well as technical reasons. The problem of the development of the nuclear power industry in Poland was postponed to a later date.

—In the hard coal system, as a result of restructuring it is anticipated that approximately 10 percent of the production departments in mines with the highest extraction costs will be eliminated, environmental protection will be more effective, and the quality of coal will improve.

Energy conservation is an extremely important element in the development of our power supply system. This will not occur voluntarily, which is why the formation of an agency for efficient energy consumption is being proposed. It should promote energy savings and efficiency improvement through dissemination of information, a system of preferences, and the production of equipment which will improve the efficiency of energy consumption. Such an agency will have a wide field of action in industry as well as in the municipal-residential sector due to the great potential for efficient utilization of fuels and energy in the entire economy.

YUGOSLAVIA

Zagreb Finance Official on Privatization

90BA0323A Zagreb DANAS in Serbo-Croatian
4 Sep 90 pp 32-33

[Interview with Guste Santini, director of the Zagreb Public Finance Institute, by Ivo Jakovljevic; place and date not given: "Shares, the New Utopia"]

[Text] Privatization has also begun in Yugoslavia! For the domestic situation, this would have been the news of the year if it had not been completely obscured in recent days by the turbulent "Knin events," which to many people signify a "one-way street" (FINANCIAL TIMES), the beginning of the end for Yugoslavia. It would also have been the news of the year if it had been publicized as such to the Yugoslav public, since the SFRY Assembly, almost without a debate (Because of complete agreement? Because of a poor knowledge of this problem? Because of a recognition that everything was already ready in any case?), adopted back on 8 August an amended Law on Trade and the Control of Social Capital and a Law on Enterprises. It would have been the news of the year in any case if it had really involved a concept of the privatization of social property (which has never existed anywhere in the history of the world) that was a consistent model, competitive with all other options, technically feasible, promising, and above all, providing an incentive. If the news itself was not even appropriately publicized, however, if privatization itself—assuming that we know precisely what it is—is not a very competitive option for solving that enormous problem, and if the Yugoslavia in which it was supposed to be carried out no longer seems to exist, then the fundamental question, with which we asked Guste Santini, the director of the Public Finance Institute in Zagreb for an interview, is really as follows: What do all the Markovic government's formulas about reform and privatization still mean?

[Santini] If it begins to be implemented, Markovic's model of "finding the title holder of social property" can be reduced to at most one of the ways of limiting consumption, because part of the population's capital would be transferred to internal shares.

[Jakovljevic] In an optimal variant, however, it could happen that as much as a third of social property could be sold to workers within a period of just one year, by the middle of next summer. Wouldn't that also resolve something even somewhat more important?

[Santini] Not by any means! As in the best variant, that would not solve the problem of social property, because 70 percent of the present so-called book value of social property would remain untouched. In the best possible case, we would move so little closer to solving the fundamental problem of the Yugoslav economy, assuming that all enterprises have the same market and book value, something which is only possible by accident and in the short term. Consequently, the criterion of the

success of this transformation would not be satisfied, much less the criterion of justice. If I ended up in the oil industry or in the insurance business during the sale of social property at a discount, perhaps I would profit to some extent, but if I ended up in some textile or construction firm, at the same discount I would probably buy something that I would lose by later on.

[Jakovljevic] That is why at the beginning, the most controversial thing will be the assessment of the value of social property, which in nonmarket economies or ones that are still on the road toward market economies can be either overvalued or undervalued by the current "owners," although as a rule, the latter happens.

[Santini] If that aspect were the only one, the problem would still be solvable somehow, but many creators of this "privatization" and many people who are supposed to carry it out, as far as I am aware, still do not understand even fundamental bookkeeping concepts...the situation of the flow, and therefore it is difficult for them to see that any new future situation is a result of the old situation and the flow of the funds in the meantime. With time, all of that could be resolved if the existing relationships of prices were real ones; that is, if all the imbalances between the prices of goods and services, labor and capital, which were created and maintained during the lengthy period of the administrative economy, had been surmounted through last year's galloping inflation and the beginning of the liberalization of the market. One should know, however, that that coordination through inflation lasted for a short time, that the liberalization of the market was limited, and that all the market institutions, especially the main ones, are not operating, such as the capital market, for example. That is why it is even more difficult to satisfy the criterion of justice in selling internal shares, because riches will really fall on some people from the skies, and the dregs on others.

[Jakovljevic] There are also some other ideas about the privatization of social property, among which Friedman's idea of the division of social property among the entire population, adjusted for years of employment or life, has already maintained its popularity for some time. Isn't that a better solution than Markovic's model for Yugoslavia, which has "developed self-management" for 40 years?

[Santini] Such a division is also possible, but what will we distribute or give as a gift to whom? To some people INA [Petroleum Refineries and Sales Enterprise], to others Borovo; to some people a marina, and to others the Labin mines?

[Jakovljevic] Bajt suggests that the de facto labor collectives be declared the title holders of social property, so that they could begin economizing on labor and expenses. Should this very solution be legalized as soon as possible, since this situation in which directors are responsible neither to the state nor to the collectives, to

a single party or to the owners of the capital, really does not exist anywhere in the world?

[Santini] And what about the unemployed, with a population of 1.2 million at present? Are they second-class citizens, and are they involved here at all? And how would that function, since the state has taken over both external and internal debts? Unemployment, after all, is a bomb that any policy has to take into account, especially today in Yugoslavia. Consequently, the factories should not go to the workers—no, not by any means!

[Jakovljevic] The approach taken by Jeffrey Sachs, who last year gave the federal government useful advice when designing the shock therapy for curbing hyperinflation, remains to be considered. The year before last, the same Sachs, in *THE ECONOMIST*, advised the East European countries that they should also use shock therapy in initiating the privatization of state or social property, i.e., as soon as possible, claiming that no one who is intelligent “jumps over an abyss in two jumps.” Sachs furthermore recommended to the governments of those countries that they take social property into their own hands in order to have control over privatization. Should the FEC [Federal Executive Council] do that as well?

[Santini] Sachs's approach is probably good for Poland or Bulgaria, but not for Yugoslavia. In Yugoslavia there is no classic state ownership, at least not on paper, and furthermore Yugoslavia is a federation. In the event that we really do have state and not social ownership, however, control over its ownership, even in Sachs's model, should belong to the governments of the federal units, and not to the FEC.

[Jakovljevic] Consequently, in your opinion, is there any solution to the problem of the privatization of social property in Yugoslavia?

[Santini] A solution exists, and I see it in the following parable. When a person arrives at a certain crossroads and then wanders off into some dead end, what does he do then? He does not go either left or right out of the dead end, but rather back to the crossroads, so that he can then go along the road where there is no dead end. In 1950 Yugoslavia shifted from state ownership to social ownership, but without sales or financial transactions and without market institutions in the environment. Today, in order to solve the problem of social ownership, it is necessary to admit that mistake openly, and then undertake a logical series of measures and solutions.

[Jakovljevic] Does that mean that on the way from the dead end to the crossroads, you are also advocating a return to 40 years ago, to a situation and a system because of which, as we believe, all the East European countries fell into much greater difficulties than Yugoslavia?

[Santini] First of all, it is a great illusion that we are somehow more progressive than those East European countries, because that would have to be seen in several data on the social product per capita or on productivity,

economy, profitability, etc. It is often said, however, that we had self-management, but that is also a problematical thesis, since for the requirements of economic analysis it is necessary to define that self-management rigorously, in order to be able to investigate whether it ever existed or whether it was only a mask, behind which the Yugoslav crisis was pouring forth. Also, state ownership is frequently identified with a Stalinist economy, although today state ownership existed in all the countries of the world, even the most developed ones. It is one thing, however, to have state ownership in an economic system without market institutions or a multiparty system, and another thing to have it in an economic system with the most developed market institutions, a multiparty system, and a macroeconomic policy that is adapting to the environment.

[Jakovljevic] So, what do you suggest?

[Santini] So far, the state has assumed many obligations, either as explicit debts or as guarantees, without having any property itself. That is one more reason why the state should also acquire corresponding rights, i.e., to have social property, during the privatization process, put under its direct control. De facto, social property must become state property in order to be turned into mixed or private property, since society has never purchased today's social property from the state, and what was developed as social was developed by means of the state, loans, benefits, negative interest rates and overvalued exchange rates, taxes, etc.

[Jakovljevic] Does that mean, then, that as in Sachs's approach, the FEC should become the owner of the social sector?

[Santini] Neither the FEC nor the federation, but rather the republics, either as states or in the form of state or republic funds or agencies for development; this would facilitate in many respects the transition from social property to private and mixed property.

[Jakovljevic] What would be the advantage of state mediation in the privatization of social property, over all the other variants of this approach?

[Santini] One should not have any illusions that the great mass of employees, who are on the brink of social assistance or dismissal as it is, will buy shares enthusiastically, particularly internal ones, regardless of whether it is at a discount or not, or even at any marginal amount of current earnings, I don't know how much. On the other hand, however, the state can say that it is taking over the entire textile industry of a republic, and that in the beginning it is giving all its attention to those with below-average performance. The institutions of a money and capital market already exist in the environment; nationalization will also form a labor market; the foreign exchange market is already operating successfully; and an enterprise market is awakening. The state appoints the management team at a given enterprise, the enterprise can pay the state an agreed-upon compensation for the capital provided, and the managers themselves can

get appropriate incentives for successful performance. When they put the enterprise in the black, when they substantially improve economizing on labor and expenses, when they establish competitive combinations of labor and capital in the world market, the state puts that enterprise up for sale, with the provision that the price of that enterprise is determined by the market, and not by book value, and that both domestic and foreign buyers can enter the bidding, as well as the managers themselves.

[Jakovljevic] Such an approach is probably also the basis for a corresponding differentiated state policy in managing the privatization of social property, but also several other steps that follow after the time of the privatization of a state enterprise?

[Santini] There will be enterprises that operate at a loss, but that can still afford to cover variable expenses (such as wages), and there will be those that cannot even afford wages. There will be hope for the former, if a competent management team can be found for them, but for resolving the difficulties of the latter it will be better if they do not exist at all, so that they do not reduce national income, or even if they are donated to those who promise successful operation under those conditions. For the most successful state enterprises that will be privatized, we should introduce high taxes on the dividends that will be paid, in contrast to the dividends that would not be paid to the owners of the capital, but would instead be recapitalized in the firm itself.

[Jakovljevic] So you are counting on entrepreneurialism, which can be aroused in the short term both among the existing population and within the framework of a nationalized economy?

[Santini] If someone abroad wanted to invest \$10 million in the Yugoslav economy today, he would not have anywhere to invest it, because there is a quite limited number of programs that promise a net profit equal to or greater than in similar projects abroad. Consequently, during the next five years, which is how long privatization and the discovery of the title holders of social property will last in the best possible case, Yugoslavia has to rely on what it has, on the labor and capital available to it.

[Jakovljevic] Business schools are only beginning to operate in Yugoslavia, however, and many economists and lawyers still have to harmonize their diplomas with the knowledge that is needed today in Yugoslavia as well in order for someone to be a successful manager. Isn't that also the weakest point in your approach to privatization?

[Santini] If we start with the above-mentioned approach to privatization, according to which we should start with what we have, while stating previously that the state is the owner of the social sector, then we do not need an enormous number of managers educated at Harvard or Oxford and London to manage a significant part of what Yugoslavia has today. In some cases just a grain of

so-called peasant intelligence will be enough. But it really is a fact that today many diplomas no longer mean anything in the transition to a market economy, and that few people have a competent knowledge of the work they are doing.

[Jakovljevic] In this whole story, can Croatia be wise enough to avoid the traps of hasty scenarios?

[Santini] I think that there are competent experts in the Croatian government who are more inclined toward state intervention in the transition from social ownership to private and mixed ownership, but who are likewise sufficiently rational to know that in the beginning the unemployment bomb should be resolved through public works, that there should be a complete liberalization of regulations for the private sector, and that privatization itself should receive suitable protection against theft, chaos, or the economic shipwreck that is still being threatened.

Croatian, Serbian States Hinder Privatization

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[Article by Davorka Zmijarevic and Milos Zlatc, including interview with ex-Minister Drazen Kalodjera; place and date of interview not given: "Privatization: From Socialism to Socialism"]

[Text] When the contemporaries of the departure of the communist authorities rank the overly rich legacy of the bad things they left behind themselves, perhaps the following act will be at the very top: They have left or are leaving without having first dismantled their progeny, which has been brought close to perfection, the system of the all-powerful state. Of course, the impossibility of this sort of self-dismantlement is "genetically" implanted in the cunning of the political mind (in this case, it could perhaps be rationalized as leaving room for an institutional, and especially noninstitutional return to power). Jokes aside, this progeny (the all-powerful state) is not perfect, since it is extremely inefficient, and even entropic, especially in the long term and especially in terms of its achievements in the economy. It is therefore quite logical, if we avoid the communist vocabulary concerning anticommunism, that all the political groups that have already replaced or are just attempting to replace the communists in power are concentrating the brunt of their criticism against the very foundations of the inefficiency, and at the same time, of the omnipotence of the communist states: in the Yugoslav case, social (actually, state or party) ownership and self-management.

The remedy offered before the elections, which has been verified in the long and rich history of private property, and in the current decade of the so-called privatization of the public sector, characteristic of both the countries of the Third World and of highly developed countries, is the privatization of social property. One should not be surprised that the renamed Communists in Serbia are

trying to solve the problem of social property through a combination of retaining it (but even closer to the state and political authorities themselves), and direct nationalization. That is apparent in the new Serbian Constitution, where the constitutional commission was "not subjected to pressures" until the very end, and the term "social property" has remained in the highest legal document, and especially in the republic government's document "Program for Implementing the Reform and the Elements of the Development of the Serbian Economy." The document abounds in evidence of the previous assertion, and even says directly, "For the time being the well-known concepts of the privatization of social property (and not just social enterprises), which lead to its rapid disappearance from the system, are not satisfactory solutions for several reasons, even if we completely ignore the risk contained in such a facile commitment to it, which consists of the fact that it is not at all certain that after privatization we would follow the path of the Far East, and not Latin America. It appears amazing, however, that the new Croatian government is first to be left without a minister who advocates rapid privatization, without prior nationalization, or statization, although it is constituted from among the ranks of a movement/party that declares itself to be diametrically opposed to the communists. The vice prime minister, Mate Babic, an economist, a member of the ruling party, and the main opponent of the resigning nonparty minister, said in an interview with GLASNIK, the weekly newspaper of the Croatian Democratic Community [HDZ], "Many groups at enterprises are now declaring themselves to be stock companies, and are aiming at joint investments; they want to sell themselves to foreigners, and they are privatizing social property. A great danger of simple theft is emerging. Privatization means privatization of Croatia's natural resources. That is something that we could not permit. That is why I am now seeking the one who will be authorized to sell that social property. That can only be the state, which will take into account, not the private interests of groups at the enterprise, but rather the interests of Croatia as a whole..." And further: "I will be attacked again for wanting that state socialism, or capitalism, whatever it is called—that is not important. My question now is how to prevent that theft of social property, and at the same time obtain new assistance for economic development; and in fact, to turn that wheel that has been deeply bogged down; you can see for yourselves how much our production is declining. But I can only do that if I determine the one who will sell it. He can either sell his own property or authorize someone else to do it. That is not essential. But the essential thing is that he is responsible for the sale, and for obtaining the highest possible price." This statement, even in its vocabulary, is irresistibly reminiscent of the arguments being used in Serbia to justify the statization of property. As one can learn from numerous experts on the Slovene political situation, there is no shortage of advocates of the nationalization

or statization of social property in the victorious coalition there either, particularly in the wing that declares itself to be diametrically opposed to the Communists—the Christian Democrats.

It is not surprising that of the two foundations of the current Yugoslav system, social property and self-management, the latter is being supplanted without major problems, but it is suggestive. It is also unnecessary to attribute malice to the motives of the new political teams in power, in using statization to bridge over the path toward privatization, but wasn't it precisely the Communist authorities and regimes that showed how motives and goals, widely accepted as just, are often swept away by personal interests, combined with unlimited and uncontrolled power? The whole matter can be summed up by the vitally interesting fact that the communist regimes are also basing their survival on something as simple as avoiding or not permitting free elections. It is a great trial to allow the average citizen to vote freely once in his life, or even twice, if it can be avoided at all.

Where Privatization Will Begin

The Croatian government has barely lasted the proverbial 100 days, and has already been faced with a personnel crisis with the announced departure of one of the ministers who had been entrusted with such an important and complex area as privatization and the restructuring of the economy. Drazen Kalodjera, the aforementioned minister who is resigning, and who also does not belong to any political party, apparently took seriously the preelection claims of the ruling party that it would turn social property into private property. He accepted his portfolio with the fervor of a theoretician who has been given the opportunity to implement his ideas on the broadest scale. Kalodjera, in any case, has long been well known as an unreserved advocate of privatization, and his practical contribution to the idea itself is also well known: Last year he was one of the team of experts who established the first stock company in Yugoslavia, the Zagal airline, which recently grew into the national airline, Croatia Airlines.

The model of privatization that Kalodjera offered conflicted with a competing concept within the government itself. While his model assumes direct privatization and the transfer of ownership to various participants in the market, including the state, the idea of vice prime minister Mate Babic is that privatization should come after some sort of nationalization and statization of all social property. Assessing that the government itself has shown more of an inclination toward this second solution, Kalodjera abruptly cut short his ministerial career by offering his resignation, which has agitated the Croatian economic public more than a little. In connection with this, we spoke with Drazen Kalodjera the week before last in Zagreb, when his resignation was already public, but before the Croatian Assembly had discussed it.

[EKONOMSKA POLITIKA] Until recently there was almost no relevant political force that did not try to legitimize itself by advocating private property. Now, when privatization is on the threshold, there is more and more resistance to this operation. How do you explain that?

[Kalodjera] Perhaps my explanation is not quite systematic, but it seems to me that the first level of the resistance comes from ignorance: about what it means, how to enter upon privatization, and which direction to go in. Ignorance is not the kind of resistance that can be overcome, however, because people have the ability to learn, but there are people who want to learn and those who do not. Those who will, understand that the process of privatization is inevitable, that it is a problem of a modern economy, and that there cannot be a modern economic process without an owner, regardless of whether he is present in all of his functions as owner—supervision, allocation, risk, incentive, etc. Accordingly, without an owner there can be no change in the structure of the economy, one that means new investment, the elimination of obsolete production, etc. There cannot be any restructuring in the sense of the enterprise's becoming a commodity, which has its own price, and which is bought and sold. It is likewise clear that there cannot be a market economy with social ownership. Everyone can know that, but some people do not want to know it.

The second level of resistance is the one that sees a loss of its own power through privatization. That is primarily the state bureaucracy, because social property has always been state or parastatal property as well. Now, if you privatize it, that means that you lose the power to appoint directors, manage, sell, and buy. Now serious problems arise there, associated with every structure of authority, regardless of its political hue. That is because every authority has its own technology, and it is governed by a fundamental motive—being in power as long as possible and holding on to it as completely as possible.

We in Croatia now have the same problems. There are people who do not want to lose their influence in the economy, and that is a large—surprisingly large—number of people, who have found a subtle formula: "We are in favor of private property, but we will first nationalize everything, and then work on privatization." And that is suicide and catastrophe, because it means eradicating at the start the capital market, any possibility of free enterprise, and any possibility of economically rational behavior. In a state enterprise, everyone will try to maximize the state's inclination toward himself, rather than results in the market. That is a return to what we had 40 years ago, to an extensive presence of politics in the economy, to subjecting the economy to political requirements, because the state cannot do without politics. Accordingly, when someone says, "My state will not be like the others," he does not know what he is saying, because every state essentially has the same goal. It has been shown that there is not much difference between Argentina and Czechoslovakia, for example, although

the former has a civil society, but the position of the state apparatus vis-a-vis the economy is similar.

[EKONOMSKA POLITIKA] Were you surprised by the intensity of the resistance to the kind of rapid privatization that you propose?

[Kalodjera] The resistance has really been very strong, and even rather aggressive, both here and in Slovenia. That is unbelievable to me. Heading toward a market through nationalization is like saying that you will reach democracy through dictatorial methods. One cannot reach a market through administrative decisions, but rather by liberating initiative, enterprise, and all other energies.

[EKONOMSKA POLITIKA] Do you feel that the "nationalization and then privatization" model is returning to an authoritarian situation?

[Kalodjera] Absolutely. That is definitely closing the road to Europe, because it makes us look comical in the eyes of the world. While everyone else is heading toward privatization, we are heading toward nationalization. In the second place, a foreigner can buy such a nationalized industry for a mere pittance; but one of the arguments for nationalization is that it is necessary to prevent theft. It is precisely in this way, however, that the door will be opened to embezzlement, corruption, and illegal profiteering. Imagine that you sell an enterprise for \$5 million, but since there is no market valuation, one does not know whether it is really worth \$3.5 or \$7 million. Then it will be determined by the appropriate bureaucrat, regardless of all the evaluation commissions and so forth, because the state is not a good mother, but rather a group of officials who take their own interests into account. Now they are supposed to be given authorization to sell 5,000 enterprises. If that concept is consistently implemented, there will be at least 20 years of state authority in the economy, in which the new owner, the state, would set wages, appoint and replace directors, and approve the final accounts. That, in the final analysis, is a return to a planned economy.

[EKONOMSKA POLITIKA] Can you assess the balance of power between the advocates of those two models?

[Kalodjera] We actually do not have two models. There is the model of direct privatization, and the opposition to that model, which, again, is completely undeveloped and does not answer a single question about how it would function. It is actually only a few slogans.

[EKONOMSKA POLITIKA] Your model is said to be more radical than that of the federal government. How would it be implemented?

[Kalodjera] It is more radical because I am seeking the owners by a method that follows the logic of the question of who has created the capital, and who has contributed the most to the existing wealth. There still exists a quantum of wealth that permits that question. There can be four groups. The first is society with its credits; it is an

unidentified source, and I will say that it is the state, and accordingly part has to belong to it. That part, however, is very flexible, and depends on the sector and industry and is not the same in a capital-intensive activity and in some intellectual one.

The second category consists of employees, but here it does not belong to everyone equally, but rather to those who have higher qualifications and have been at the enterprise longer, and earn more. Accordingly, if we designate the part that belongs to the employees as 100, then 20 percent is linked to the managers, the administrative bodies that will elect the new board and tell it, "This is yours, but only for three or five years, for three years 50 percent, for five years 100 percent," for example.

The third part would belong to the creditors, through debt equity and other forms, and the fourth part, to the former owners, if they exist. The model also differs from that of the federal government in another element, because not everything would be divided, but only 80 percent, and the remainder would be immediately put on the market so that it can begin to pulsate immediately. The basic difference between these two models is that mine first names the owner, and furthermore does not give anything for free, but rather on the basis of who has contributed how much. Accordingly, in that way an ownership structure can be obtained almost overnight.

[EKONOMSKA POLITIKA] How much time would be needed to implement that model?

[Kalodjera] Several months. The first law to be passed would have six articles. The first declares all social property to be principal stock shares, i.e., it is abolished. Article 2 distributes it among these participants in accordance with the established criteria, which have to be adopted in a month. Before that, a temporary board of directors is formed, consisting of five to 15 members, in anticipation of the future ownership relations. This board can include experts and not just representatives of the owners; one director can be on the boards of several enterprises, etc. There is nothing new here; all of that is functioning abroad. The board of directors has to convene a shareholders' assembly within a period of six months.

[EKONOMSKA POLITIKA] Is your resignation final, since it has not yet reached the Assembly?

[Kalodjera] It is going to the Assembly, which will discuss it on 4 October, but I am standing by my resignation.

Problems of Privatization in Banking System

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[Article, including interview with Stanislav Valant; place and date not given]

[Text] The privatization of the banks might be carried out (even) in the process of their financial rescue. Since they are the largest creditors, the banks ought to have a particular motivation, and they have been placed in a situation, where rescue is being accompanied by a change of ownership relations of the founders [as published]. After all, the losses which they have, originate above all in the impossibility of prompt settlement of the due debts of the founders. So, privatization of the banks could in essence signify privatization of their founders. In this case, the banks would be the first link which would facilitate that process in such a way that through the bank's mortgage rights over the struggling founders (from whom they are unable to collect their claims) they would first put their "paw" on them. The banks would become the first new owners and would acquire rights to put them on their feet by changing their business "blood," from supervisory personnel and managers all the way to surplus personnel.

This does not, of course, mean that privatization of the banks or of their founders is a matter that has been settled. After all, privatization is done only when the bank decides to sell to private persons a founder whom it has recovered and put on a sound basis. It would do this because by the nature of its activity it cannot continue to be the permanent owner of a founder; it is only a temporary owner, since its principal activity is not to engage in an enterprise's production, organization, or conduct of business.

The sale of a founder to private persons, aside from being motivated by a transfer to ownership of someone who by nature can see that the business is conducted properly—and that presupposes management and reliance on capable professional management—is also of interest to the bank because there is a possibility of making money. For example, while it is incurring losses a founder has a market value considerably below the nominal value (or book value), but, in a possible sale after it has recovered and its "blood has been changed," the market value could be higher than the nominal value.

This represents only one of the alternatives for privatization of the banks. Its deficiency is that problems may arise, and they are already arising, in connection with the attempt of the bank to take over ownership of the founder. That is, for the bank, which is being assigned the role of carrying out privatization, the main problem lies at the lower level. It cannot take over ownership with the intention of privatizing the property unless there is an owner of the founder with whom it could talk and negotiate this matter. This might seem like an excuse and reluctance on the part of the bank, which has numerous other worries, to create "for itself" additional worries by taking over ownership of the founder.

However, that is not the problem. In the present environment, the bank is simply not in a position to play the role of "privatizer." First, in view of the undefined ownership of the founder, it cannot find a partner to join it in undertaking the painstaking, sensitive, and rather

risky job of restructuring and business recovery. As a matter of fact, under present conditions of anarchy and the uncontrolled and unchanneled expressions of dissatisfaction, the bank could only negotiate with the present true "owners" in the person of the workers, who are not always ready to "surrender" the enterprise to the new owners. The other problem the bank faces is that there is no law-governed state that would protect its interests in privatization. The only problem here is not the absence of a law-governed state at the critical moments when ownership is to be taken over, but also elsewhere. Elements of the law-governed state are also not present in cases when the bank has the legal opportunities for privatization on the basis of mortgages. In the absence of a law-governed state that would protect the interests of privatization, examples of "barricading" enterprises and refusing to allow physical access to representatives of the bank as well as foreign persons interested in the firm and in investing additional capital, are not a rare phenomenon.

Banking experience even in advanced market economies indicates that privatization cannot be carried out primarily through the banks. After all, the principal objective and business of the bank is not to concern itself with conversion of claims to permanent shares in an enterprise, with the intention of privatizing it. The bank's conversion of claims to shares in the enterprise will go particularly hard when investments of fresh capital are involved. The problem is not just that there is no fresh capital, but also that its investment involves a risk for the bank and other investors (these are not your conventional loan contracts). But if conversion to permanent shares is the only way out for the bank to "save what can be saved" of its claims, then an attempt should be made even with this form of assumption of ownership. Provided, of course, that a law-governed state takes the part of the new owners, if the power of its authority even makes that possible today.

In that connection, aside from opening up possibilities in domestic regulation, examples from foreign experience might contribute to developing joint stock ownership of the banks themselves. Those are, of course, examples of advanced economies in which joint stock ownership is not considered (primarily) in terms of bank losses, but as a way of capturing new markets. For example, the great German bank, Deutsche Bank, is often involved with two-way stock ownership with its founders (firms). On the one hand, the founder is a stockholder of the bank; and at the same time the bank itself participates in the founder as a stockholder. Or a still more interesting example. Deutsche Bank becomes the stockholder of the enterprise which is not its founder, but is the founder of some other bank. But when it takes over the stock of that enterprise, Deutsche Bank automatically may become a stockholder of that other bank, and may even thereby secure the controlling "block" of stock in it. That is the way in which mergers, takeovers, and consolidation of banks occur. In practical terms, this is how a bank captures new markets, which is evidence that it is not

just a question of establishing new banks (but of the purchasing of the stock of other enterprises and banks).

It is, of course, a question of the ownership of one bank by another bank. This kind of ownership still is not sufficient guarantee of successful conduct of business. After all, the question logically arises—who are all the "final" owners and investors of the bank which is to be taken over (purchased); that is, who stands behind it, who are those private persons, enterprises, and governments, and what are their characteristics? That is why it is not a rare thing in a bank's business strategy for it to conceal the "ultimate" owners and comptrollers of business operation.

This does not exhaust the problems of ownership and privatization through the banks. In our country, for example, the question still has not been cleared up of whether this is to be done through general-purpose banks (as in Germany) or only through the so-called investment banks which engage in these transactions (securities transactions) exclusively (as a specialization). In view of the underdeveloped financial infrastructure and personnel, we should perhaps use our general-purpose type of bank at the beginning.

Along with all that, in changing our ownership structure we have been paying little attention to something that is perhaps more essential to the business operation of the banks. This is the ownership (management) structure of the bank itself, the quality of the management which actually runs it and makes the decisions. By this we do not mean to say that the definition of ownership of the founders is not essential to the bank, especially since the successful exercise of oversight of its business operation depends on this. It is important, however, that it be the management that guides the bank and conducts its business. After all, several million or 100,000 investors are objectively unable to do this (they are not engaged in the banking business). But the main role of overseeing the quality of business operation of the bank's management by the owners (founders) is left without oversight; the management could be left without responsibility for business operation (it does not lose capital because it has none, but it can lose its position). The big question is how to establish oversight of the management by the bank's owners. If there are 100,000 of them, even bringing them together could be a big problem (there is only one stadium that large in the country). In any case, it would be worthwhile to seek solutions whereby oversight of the bank would be concentrated in a smaller number of owners, if possible those who have been the most successful.

In privatization of the bank, it would not be a good thing to resort to only one model and solution. After all, privatization cannot be carried out, at least such schematized cases are unknown in the world. The privatization of every enterprise has specific features, since each of them has some particular things about its business

operation and financial condition. It is not recommended, then, to stick with just one scheme for privatization.

The Danger of Confiscation

Privatization of the banks is a topic which is being raised without its being clear what is meant by this. A one-sided view is taken of things, and the point of departure is always a single model of privatization. It is clear that what we should mean by privatization of the bank is seeking solutions for privatization of the founders, and in doing this we ought not to reject any of the possible models that lead toward the ultimate goal, depending on the specific nature and (business) condition of the enterprises themselves. We should be cautious about ideas of nationalizing enterprises as a road to privatization, since this could result in universal confiscation of property, including the banks, with the danger that that is where it would end.

[EKONOMSKA POLITIKA] We interviewed Stanislav Valant on these topics.

[Valant] It is worthwhile clearing up what is meant by privatization in the world at large. What it means is that everything that is owned by the government becomes the property of enterprises, and here it is clear that the enterprises are the property of individual or other juridical persons.

The problem is that in Yugoslavia the enterprises are not government property. Government property does not exist, and we might conclude accordingly that our banks are already private. That would be the case, for example, of the Bank of Ljubljana. At the same time, the government is not altogether excluded from business operation, since it possesses a sizable share of the capital. Of course, there are also enterprises which in the process of changes of ownership can also become government owned and as such acquire a quite large share of funds (capital) or a quite large block of shares. Other enterprises might, on the other hand, be private, and still others might have mixed ownership in which foreign owners might also figure. In the coming period, then, we can anticipate that the banks will partly become government owned, which would mean transformation of social property into government property. To a lesser extent, the banks will become private, since the present stockholders, whose status has not been defined in property law, will become private firms. They will thereby inherit the share which they have today in the capital of the bank.

[EKONOMSKA POLITIKA] You do not see much chance of the present socialized banks, which will be refounded, becoming mostly private?

[Valant] Those banks cannot immediately become private, the private sector cannot be the dominant owner, since this is a process which takes several years. The problem is the lack of capital. There is not enough capital for the private sector to buy up the shares of the

socialized sector and thus become the dominant owner of the capital that exists today in the banks.

[EKONOMSKA POLITIKA] It seems as though nothing can be changed in the banks in the direction of greater effectiveness of business operation?

[Valant] Rapid changes are possible, and that also in the process of rescuing the banks. When the banks are called upon to liquidate bad loans and claims by writing them off or in some other manner, then this represents an adverse influence on the level of funds. This creates an opportunity for the present, but also future, private sector to become a larger owner of banks.

There will be a shrinking of capital, but the share of the capital of the private sector will be augmented (socialized capital is shrinking, but at the same time private capital, if it is not after all growing, is certainly staying the same). Then the chances of the private sector becoming a larger owner of the banks are after all more promising. Here, of course, the ban on the private sector becoming the primary founder of banks must be removed.

Another step that would increase the share of the private sector is bank shares which cover existing funds. It is worth trying to sell those shares on secondary markets (for example, the Yugoslav Exchange in Ljubljana), and in this connection I can tell you that a proposal was recently adopted to include the shares of banks in the transactions on the exchange and to include them on the list of quotations. The shares of banks, then, would be offered for sale, and if there is demand on the part of the private sector, then this is another way in which it could become the owner and a factor for decisionmaking in the bank. We are, of course, talking about the ownership of quite substantial private persons, enterprises, and banks.

[EKONOMSKA POLITIKA] Ordinary individuals might also become involved in the process of privatization of the banks in view of the multitude of small amounts of capital. Except then their role in managing the business of the bank is not clear.

[Valant] In market economies, individuals have some share in forming the capital of banks, but usually on the basis of what is called preferred stock, which does not carry the right to vote and manage the bank.

Aside from that there is the possibility of the employees or management of the bank becoming shareholders of the bank. They are thus motivated to do better work and conduct business better, since the yield of the shares (including their own) depends on this, as does the risk and liability if the results are not good.

[EKONOMSKA POLITIKA] Will private capital be motivated to invest in the banks in view of the general situation in the country, but also within certain of the financial institutions?

[Valant] Because of the situation in the banks, that is, because of bad claims, it is not possible to state anything

reliably. If they are to build the necessary image, they have to solve the problem of the bad claims and build up reserves if they want to be purchased. For a certain time, it will appear more lucrative for potential investors to start up some small business or open a store than to invest in a bank. Everything, of course, depends on how the situation develops: The chances for the investment of the private sector improve if the financial market develops normally, if conditions are brought about for the purchase of securities, above all preferred shares.

[EKONOMSKA POLITIKA] Privatization of founders, and beyond that the banks, is in full swing in the world, including even the countries of so-called state capitalism (England, for example). The problem is that in our country there is no privatization of something that is the property of the state, which is what they have.

[Valant] In their case, the owner is the state, which has certain interests in selling its enterprises, if it no longer indicates a desire to manage them, and that is why it is undertaking privatization. In our country, in the formal law at least, there is no government that figures as the owner that would privatize the enterprise. This does not mean, of course, that now we first have to governmentalize and nationalize everything, including the banks (although there are those who believe that), just as occurred after the war. Incidentally, I think in this connection that what occurred at that time was not nationalization, but confiscation, because the state did not pay anything for what was done.

If you look at long-term trends in the world, you will see that there are definite cycles. In one cycle, the state nationalized enterprises and with that kind of intervention rescued them from higher interests, and in another cycle it sold off its enterprises, that is, its share in them. Translated into our terms, we have to realize where we are and first solve the problem of social ownership. The proposal contains alternatives for the problem of social ownership to be resolved through pension funds, and then, as in the Law on Social Capital, for the workers to become the owners of enterprises by purchasing shares. If you analyze the latter case, then on the basis of worker ownership in the enterprise, you might conclude that they thereby become also the owners of the bank by reason of being its founder!

[EKONOMSKA POLITIKA] It seems that that is not the way it is in the rest of the world. The enterprise becomes an owner of the bank, but not its workers.

[Valant] Right, the enterprise becomes the owner except that this still does not tell us anything about ownership. If you take that view of things, then we might also be treated as a private bank, since our owners are enterprises.

[EKONOMSKA POLITIKA] The question is who is the owner of those enterprises?

[Valant] It might be either the state or the private sector. Mainly it is the private sector. From everything we have

said a clear difference can be made between the state of affairs in the market economies and the state of affairs in our country. We do not have a state that figures as the owner, and least of all do we have a private sector. It is not out of the question here that some quite large enterprises would become state property, since this is a normal phenomenon even in market economies (France, for example). Should enterprises in the end be taken over by foreign persons, then they will inject the character of private ownership through their share.

One source of privatization, then, is government ownership, and the condition for a more rapid pace of that process is that it hold the controlling block of shares in the bank (more than one-third) and thereby acquire dominant influence, overseeing credit activity and its functioning. Beyond that, it might monitor the process of transformation of social ownership into private ownership, it would decide in which bank there is no interest in maintaining ownership of enterprises, and it could speed up that process.

[EKONOMSKA POLITIKA] Who would be able to say that the state, when it acquires ownership of an enterprise, will actually initiate the process of privatization? It could happen that this might not be opportune for various political administrations that might impose themselves as the "saviors" of social property, or as saviors of the property of the state which as a matter of formal law would be coming into their hands.

[Valant] That would be a decision of the government or Parliament. And the motivation of the state in undertaking privatization is in this way to influence the bank's business policy, since in that way (through privatization) it is actually protecting its interests, that is, the enterprise, and also the interests of the private sector. And in no case can it be in its interest to remain the permanent owner and manager of the enterprise, since in the long run it has never been economically effective as an entrepreneur. It has never been more effective than the private sector.

[EKONOMSKA POLITIKA] In any case, much of this depends on the goals of the state, that is, of policy and of the people who are in power.

[Valant] It does depend on that; it does depend on whether the people in power are socialists, since they lean more toward the government as an entrepreneur and savior for economic problems, or market-oriented people (according to some old classification, "the right"), and then thought is given to exploiting the state on behalf of privatization. If representatives of capital and of their parties have influence, then the process of privatization can always mature.

[EKONOMSKA POLITIKA] The problem of ownership, as it appears from everything you have said, does not lie so much in the domain of the banks. Accordingly, their primary task is not the problem of ownership.

[Valant] You are right, since everywhere in the world the dominant factor in determining the way a bank is run is the quality of the management. In the end, the mere definition of ownership does not solve the problem. Without quality management, the owner has no prospects of doing business efficiently and turning over capital. He has the function of a comptroller as to the good use of the capital, the quality of management, and so on. If it does not perform well, if the profits and dividends are small, then the owner changes the management. But in any case we are talking about protracted processes that will be taking place in our country. The

determination and definition of the owner of what is now social property, the functioning of relations between owners and management—these are all long-lasting processes which will not be established overnight. Moreover, there is no one definition and formula for that process. Along with all these things which I have mentioned, there is also the establishment of new ownership in which the bank has an evident role as a shareholder, when the bank participates in this game with fresh capital or by buying up its claims. Always, of course, trying to find an interest in this.

HUNGARY

Parochial School Restorations, Problems Discussed*90CH0325A Budapest NEPSZABADSAG in Hungarian
16 Jun 90 pp 14-15*

[Interview with Richard Korzenszky, prior of Pannonhalm, by Eva Gyarmati Szabo; place and date not given: "We Do Not Wish To Serve 'Internal Affairs' of Church"]

[Text] Modification of the education law, which makes it possible right now for private individuals and various organizations to establish schools, has brought to the surface an outburst of demands that were stifled for decades. Yet experience so far shows that in most places the Christian educational clubs springing up like mushrooms are unprepared to begin organizing schools. This inevitably creates tension, even hostility.

We questioned Pannonhalm Prior Richard Korzenszky, consultant to the ecclesiastical affairs department of the Ministry of Culture and Public Education and chairman of the recently formed committee to coordinate the organization of Catholic schools.

[Szabo] How is it possible to guard against further extremist organizations?

[Korzenszky] Before I answer that, I would like to emphasize something. Everyone—teachers, politicians, superintendents—must see that these rudimentary demands attest to a desire to reform our educational system and completely reorganize public education in Hungary. The self-initiated educational clubs also suggest this. They would like a different emphasis on school life. Many act out of religious conviction and aim at improvement. Yet they are walking on untrodden paths and really do not find partners anywhere. However, they often formulate ideas without thinking them through to their logical consequences. In my opinion, the various problems could be solved most efficiently if educational experts and competent church representatives formed a task force which would outline the steps that must be taken to establish new schools. Then, if it is obvious in which ways the initiatives can succeed, we will encounter fewer troublesome incidents that upset the public.

[Szabo] In the most recent and controversial case of school organization, the Catholic Educational Club of Our Lady, referring to the religious order Notre Dame de Sion, the previous owner, demands the return of the Janos Arany Primary and Secondary School building in Budapest. According to a statement by one of the order's representatives, however, the Hungarian state compensated them for it. Do you know anything about this? And in general how were the churches compensated?

[Korzenszky] I do not know what sort of compensation the religious order Notre Dame de Sion received. If it did receive compensation, that was probably a unique case.

The churches were generally "compensated" in this way: The property that forms the material basis of countless schools was simply confiscated, and the buildings in which the educational institutes operated were also confiscated. Their existence as schools was forbidden. But the churches, the clergymen, the monastic teachers received so-called state aid, the sum of which was ridiculously small. For example, as principal of the Benedictine secondary school in Pannonhalm a few years ago, my state aid was not even 2,000 forints. It would be worthwhile to calculate the value of the confiscated property and then see how the balance stands. Nevertheless, "sales" were also made, under duress, at ridiculous prices.

[Szabo] In recent days, MAGYAR HIRLAP has uninterruptedly published a list of the real estate to which the churches lay claim. How many schools would the Catholic Church like to get back?

[Korzenszky] I cannot give an exact answer. Naturally, we would like to see as many as possible of the venerable onetime parochial institutes turned back into church schools. But we must also be aware that there are places where it is conceivable and places where it is impossible for us to recover our old schools. We do not want our old "power" back. After all, present-day Hungary cannot be compared with what it was in the old days. In the new Hungary, something entirely new ought to be started! We are not demanding compensation, but opportunities to operate and school buildings to teach in. We must not forget that the school is always for the child. And when the churches again ask for a role in educating youth, it is not to tear down but to build up. You hear it said all the time that these initiatives cause turmoil. Sometimes I even have the feeling they would like to cause a commotion. But common sense is needed to review the tasks at hand in a businesslike way and to formulate the opportunities in practical terms. We have probably reached one of the most troublesome periods in modern Hungarian history as we try to enforce the churches' legitimate requests and, toward that end, await the help of legislators and the general public.

[Szabo] Do you find it conceivable that regional squabbles will cease if top-level officials of church and state reach an agreement on every parochial schoolhouse under discussion?

[Korzenszky] I do not believe that concrete decisions on several thousand real-estate claims can be made at the highest level. Only rulings of principle can originate "upstairs." The only place I can picture a solution is in the municipalities.

[Szabo] Citing their civil rights, the various educational clubs that profess Christianity expect the state to establish and operate sectarian or ecumenical schools. How do you view this?

[Korzenszky] In my opinion, the schools run and maintained by the state must stand on the basis of ideological neutrality and universal human values. The parochial

schools radiate Christian mentality. Nobody can dispute the fundamental reason for the existence of state education: Education is the state's job, but not a monopoly. We are now looking around for opportunities. Yet it must not be forgotten that if we perform a task which eases the burden of the "state sector," then we also demand state support. Every parochial school would like to teach Hungarian taxpayers' children who, it is hoped, are living in Hungary. If, however, one of them comes up with some sort of extraordinary performance, then we must rely, of course, on the financial strength of "solvent" demand. But this is not the main issue. We would like to have schools in which, as part of general Hungarian education, in the spirit of our own world view, we lay the same foundation as all other schools. In any case, we want to serve a cause which is not an "internal church

affair" but is of interest to the broader society. For example, I have in mind the institute for sick children who are difficult to educate or require special care. Nevertheless, what distinguishes these schools from the rest is the particular commitment with which their workers undertake the task and the special world view that stems from the Gospel and that, if we really scrape along, in the course of history always changes for the benefit of man. I emphasize that our goal is not to reinstate the old but to be efficient institutions once again. Naturally, these schools will be somewhat different from the state schools. But by no means do they want to create division among people by being different. Rather they want to offer people the opportunity to make a choice.

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